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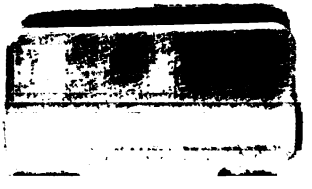

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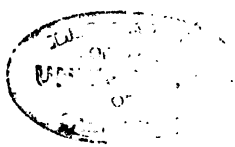
NATIONAL MONETARY COMMISSION

The National Bank of Belgium

By

CHARLES A. CONANT
Author of "A History of Modern Banks of Issue"



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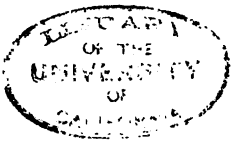

THE NATIONAL BANK OF BELGIUM.

GENERAL SUMMARY.

The history of the National Bank of Belgium is of special interest to the student of banking systems because of the lateness of its foundation and the ability of its founders to garner up the results of the experience of Belgium and of other countries in what they conceived to be the best attainable form of organization. Founded under these conditions in 1850, twenty years after Belgium became an independent State, the charter of the National Bank is free from many of those temporary and local features which influenced the foundation and development of some of the other great banks of Europe. It bears the stamp of the two or three characteristics which are regarded by many economic students as belonging to the ideal bank of issue.

The business of the Bank is limited substantially to the discount of commercial paper and excludes, except to a limited extent, advances upon securities or any other noncommercial asset. Even such securities as are admitted as investments for the reserve fund or as the cover for a restricted amount of loans are securities issued by the Government of Belgium or under its guaranty. In dealing with commercial paper, the function of the Bank

is essentially that of rediscounting for the joint-stock banks and for local discount committees paper which has been originally discounted with them. This affords to the Bank the guaranty of third parties for the ultimate payment of paper discounted and adds to the liquid character of the assets by reducing to the neighborhood of forty days the period for which paper has to run after reaching the Bank.

Upon this basis of quickly convertible commercial paper is based the system of note issue of the Bank. This issue is unlimited in amount and is not restricted by the charter even as to the proportion of cash reserve required to be held. The proportion of reserve was deliberately left to be fixed by the statutes of the Bank, which are a subject of mutual agreement between the Minister of Finance and the administration of the Bank. By this authority the proportion of cash to notes has been fixed at 33⅓ per cent, but the Minister of Finance has power to suspend this requirement in an emergency. Foreign bills of exchange have long been counted as the equivalent of gold in the reserve and have proved useful on critical occasions in maintaining control of the exchanges.

Interest is not paid upon deposits in the National Bank, in order that such deposits as are attracted shall be those growing out of commercial operations and not those partaking of the nature of investments made for the sake of the interest earned. The outstanding issues of notes, which reached in 1908 an amount in excess of 800,000,000 francs ($160,000,000) for a population of less than 7,500,000, constitute the chief liability of the Bank. Current deposit accounts constitute only about one-tenth of the

assets of about 1,000,000,000 francs ($200,000,000), which represent the banking and issuing functions of the Bank.[a]

Regulation of the money market is attained in part, as in other European countries dowered with a central bank of issue, by changing the discount rate. The problem of money and exchange in Belgium has been complicated by the large amount of silver coins which were issued before the suspension of free coinage by the Latin Union in 1873, and by the fact that this silver has degenerated into the position of a token coin, kept at gold par largely through the control exercised by the National Bank over exchange. Gold has practically disappeared from circulation, partly by reason of the issue of notes in large amounts down to the denomination of 20 francs ($3.86), and partly as the result of some hesitation on the part of the Bank to raise the discount rate sharply to offset the adverse current of exchange. The Bank has preferred to a large extent the policy of the Bank of France, of replenishing its gold reserve at its own expense rather than by the elevation of the discount rate.

The organization of the National Bank of Belgium is not unlike that of the Banks of France and Germany. The governor of the Bank is appointed by the King; but the Government has no share in the ownership, and the administrative boards are chosen by the shareholders. The State has kept its hands clean from dipping into the resources of the Bank by loans, but it has from time to time, with the renewal of the charter, added to the burdens

[a] While the franc is taken in these generalizations at 20 cents, definite sums are reduced in this treatise more nearly to the exact equivalent at 19.3 cents to the franc, without, however, carrying out the calculations to the last decimals.

imposed upon the Bank by way of gratuitous services and taxation. The Bank was organized with the view of performing the fiscal functions of the treasury, and its 39 agencies have been distributed in the chief places of Belgium as much to facilitate this end as for the convenience of the commercial community. So considerable is the work performed for the State that payments in and out of the bank for the public treasury have come to exceed 5,000,000,000 francs ($1,000,000,000) annually, exclusive of the many other operations in the payment of coupons and conversion of the debt which have been imposed without compensation upon the Bank.

In addition to these direct fiscal services, the National Bank undertook at the time of its foundation to carry on a large part of the business of the savings bank, if one should be created. Such an institution was created in 1865 and has grown until the total amount of deposits is not far below the assets of the National Bank. While the detail of the small deposits is not handled by the National Bank, investments for the savings bank itself and for its clients, the maintenance of its cash balance, and the remittance of its funds are all performed, practically without compensation, by the National Bank.

When the National Bank was created in 1850, it was to meet a dire need on the part of the Government for a fiscal agent. The burdens of taxation at first imposed were, therefore, comparatively light; but with the renewals of the charter in 1872 and in 1900, the grip of the State upon the pocket of the bank was tightened. A tax has been imposed since 1872 amounting to one-half of 1 per cent annually on the excess of the circulation above

275,000,000 francs. The policy of covering into the public treasury a large share of the profits took the form of two requirements in 1872, which were made much more exacting in 1900. One of these was the provision that a percentage of the net profits should be paid into the public treasury. Under the law of 1872 this division of profits did not begin until the shareholders had received dividends of 6 per cent, after which one-fourth of the net excess went to the State. By the law of 1900, the point at which division with the State should begin was reduced to a dividend rate of 4 per cent. Under the earlier law the excess of receipts from discount above a rate of 5 per cent went into the public treasury. By the later law the Bank can not profit from a discount rate above 3½ per cent. To the latter provision is attributed by some the disposition of the Bank in recent years to prefer to derive a profit from its note circulation, at the expense of unfavorable foreign exchanges, rather than to raise the discount rate radically in order to protect its gold reserve and the monetary stock of Belgium.

This in outline is the history of the development of the National Bank of Belgium, which is set forth more in detail in the following pages. The subjects of banking theory and practice have been more thoroughly discussed in Belgium than in some other countries, because each renewal of the charter of the National Bank has been for nearly thirty years, the last renewal continuing the life of the bank to January 1, 1929. This has led perhaps to a more thorough examination of the questions involved than where charters run for shorter terms and proposals for renewal fall more within the channels of routine. At

the time of the renewal of the charter of the National Bank in 1900 the reports alone of the various committees filled a folio volume of 619 pages and the debates in the Chambers a still greater space.

Interest was given to the debate by the presence in the Belgian Chamber of Deputies of some of the most scholarly and advanced advocates of state socialism, who made a determined onslaught upon the organization of the Bank. Hardly a voice was raised, however, against the theory of a central bank organized to regulate the exchanges or against the system of note issue under which the Bank had operated for forty years. The criticisms of the Socialist deputies were directed rather to the questions of the terms of the charter, ownership of the Bank by private individuals rather than by the State, and the proportion of profits earned which should be covered into the public treasury.

The principal sources of authority are the records of the Bank itself, in its carefully prepared annual reports, and the documents and proceedings relating to the renewal of the charter in 1872 and in 1900. The reports submitted on these occasions and the complete debates in the Chambers are printed in separate volumes and afford a mine of information as to the operations of the Bank and its relation to Belgian enterprise. The list of authorities cited in various parts of this document appears below. The parliamentary records are cited throughout the text simply under the designations "Documents Parlementaires" or "Discussions Parlementaires," with the date, without specifying the fact that they are the documents relating exclusively to the National Bank, since parlia-

mentary documents or discussions on other subjects are not cited in this report. The documents used are as follows:

Banque Nationale de Belgique; Documents Officiels, Relatifs a la Prorogation de cette Institution, décrétée par la loi du 20 Mai 1872; Brussels, 1872.

Banque Nationale de Belgique: Loi du 26 Mars 1900, Documents Parlementaires; Brussels, 1901.

Banque Nationale de Belgique: Loi du 26 Mars 1900, Discussions Parlementaires; Brussels, 1901.

Banque Nationale de Belgique, Assemblée Générale des Actionnaires, Annual Reports, 1892–1908.

Banque Nationale de Belgique, Lois Organiques, Statuts, Règlement d'Ordre Intérieur; Brussels, 1907.

Annuaire Statistique de la Belgique, 1907; Brussels, 1908.

Moniteur des Intérêts Matériels (tri-weekly), Brussels.

Les Banques d'Émission en Europe: Octave Noel, Paris, 1888.

Les Banques d'Émission: Étude Historique et de Législation Comparée: Robert Ulens, Brussels, 1908.

Bank Rate and the Money Market in England, France, Germany, Holland, and Belgium: R. H. Inglis Palgrave, F. R. S., New York, 1903.

A History of Banking in all the Leading Nations; edited by the editor of the Journal of Commerce, New York, 1896.

A History of the Latin Monetary Union: Henry Parker Willis, Chicago, 1901

A History of Modern Banks of Issue: With an Account of the Economic Crises of the Nineteenth Century and the Crisis of 1907: Charles A. Conant, New York, 1909.

ORIGIN AND HISTORY OF THE BANK.

The creation of the National Bank of Belgium was one of the consequences of the separation of Belgium from Holland in 1830, and of the unsatisfactory condition of banking which followed the separation. It was only after experiments for twenty years with existing institu-

tions, which did not operate satisfactorily as banks of ssue nor as agents of the treasury, that the National Bank was created in 1850. The charter adopted followed simple lines for keeping the Bank free from entanglements by restricting its field of operations to the discounting of commercial paper based upon actual transactions.[a] So directly and effectively was it aimed at these results that it became the model of at least two foreign countries in the reconstruction of their banking systems. When the Government of Holland remodeled the charter of the Bank of the Netherlands in 1864, the new law was based upon that of Belgium. It was declared by M. Betz, the Netherlands Minister of Finance:[b]

"If one wished to qualify definitely by a foreign name the system adopted by the Government, one would be near the truth in saying that while the French, Scotch, and American systems have been rejected, the Belgian system has been chosen."

In the reform of the currency system of Japan, also in 1882, Count Matsukata, the eminent Minister of Finance, set forth in his report on the subject:[c]

"In point of the perfectness of organization and the well-regulated condition of business management, the National Bank of Belgium stands highest. This fact is due doubtless to the lateness of its founding, which enabled it to

[a] It was declared in the report of M. Descamps to the Senate in 1900, that while the Belgian system had nothing to fear but everything to gain from an analysis of its principles, it was proper to recall "that it had not been presented to the country as the work of a social reformer, as a system formulated *à priori* under the Empire of preconceived economic doctrines, 'sprung full armed from the head of Jupiter,' but had been derived from the simple lessons of experience."—Documents Parlementaires: 1900, p. 352

[b] Documents Officiels: 1872, p. 46.

[c] Report on the Adoption of the Gold Standard in Japan, p. 64.

consider fully the mistakes as well as the successes of older banks. Its regulations are for this reason more perfect than those of any others, winning highest praises from the financiers of the world, and leading the Bank of Amsterdam, at the time of its organization, to closely follow its pattern. In the case of a Japanese central bank, therefore, no better pattern can be found than the National Bank of Belgium; and if the regulations thus copied are modified to suit our peculiar conditions and circumstances, I have little doubt that the system thus adopted will perfectly meet our present need, and that also in point of practical organization it will prove to be a success."

There were, at the time of the creation of the National Bank in 1850 four banking institutions in Belgium—the Société Générale, the Bank of Belgium, the Bank of Flanders, and the Bank of Liége.[a] The Société Générale with a capital of 50,000,000 florins (about $20,000,000), dated from early in the nineteenth century, and under the Dutch sovereignty performed most of the financial operations of the Government. The control of the institution was chiefly in the hands of the Dutch element, who felt little sympathy with the new political régime in Belgium. The new Government was compelled, however, to employ the Bank in the same manner as its predecessor. The Société Générale, feeling itself indispensable, refused to permit the supervision of the court of accounts over its management as treasurer for the State.

[a] This narrative of the beginnings of the National Bank is based mainly on Banques d'Émission en Europe, Octave Noel, Paris, 1888, pp. 477–488.

The Belgian Government sought to remedy this condition of things by the creation of a rival institution. It lent its favor to the organization of the Bank of Belgium, which was created in 1835. The Government plainly indicated its preference by taking away from the Société Générale its functions as cashier of the treasury and transferring them to the Bank of Belgium. But the new institution fell upon troublous times. A crisis loomed on the horizon in 1837, which became acute in 1838, when trouble with Holland was threatened over the boundaries of Limbourg and Luxembourg. The Société Générale seized the occasion to cripple its younger rival by gathering up its notes and presenting them for redemption. On December 4, 1838, the sum of 1,000,000 francs ($193,000) was thus presented. On December 10 another sum of 1,200,000 francs was presented, and on December 15 300,000 francs. The Bank of Belgium was forced to suspend and to seek the assistance of the Government. By a law of January 1, 1839, a credit of 2,600,000 francs ($501,800) was granted to the Bank for the redemption of its notes and for other purposes, and 1,400,000 francs ($270,200) for the repayment of the savings deposits, which were under its charge.

This temporary relief did not remove the fundamental causes of weakness. Both the Bank of Belgium and the Société Générale had locked up considerable amounts of capital in industrial ventures from which it could not be readily converted into cash. The crises which affected Belgium in 1837 and in 1838 were much more serious in their effects because the two banks had to meet at once the demand for the redemption of their notes and the

needs of the industrial enterprises which they were supporting. From these two sides—the demands of the public and of their industrial clients—the Bank of Belgium was exposed to the disappearance of its metallic reserve and the suspension of payments in specie.

Notwithstanding the aid of the Government in 1839, the same embarrassments recurred in 1842. The Bank of Belgium confessed its inability to fulfill its financial mission for the Government and resigned its functions as cashier of the treasury. The Société Générale had encountered the same difficulties as the Bank of Belgium. On its part also it had supported numerous industrial enterprises and had suffered severely in the financial crises through which the country had passed. It was even compelled in 1842 to suppress the branches which it maintained in the provinces, of which the larger number had shown bad results, and to continue only the branch at Antwerp. But the Société Générale was more firmly established than its rival and was the only institution which was in position to resume the service of the treasury without danger to the public finances.

A new convention restored to the Société Générale the functions of cashier of the State. The arrangement was, on the part of the Government, only a makeshift. The time had come when those responsible for the conduct of public affairs were considering seriously the creation of an institution which should be restricted in the scope of its operations to commercial banking and should not be exposed, like the existing institutions, to the results of unsound financiering. When, therefore, the Société Générale in 1843 demanded the extension of its charter, which

was asked by the shareholders for a period of twenty-five years, the Government declared that it would reserve to itself the right to indicate before the end of the year 1849 the conditions under which the Bank might continue to exist and the modifications which it would be required to insert in its statutes.

The crisis of 1848 obliged both the Société Générale and the Bank of Belgium again to suspend payments. This furnished the Government an opportune occasion for putting its plans in execution. The existing institutions were protected for the moment by making their notes legal tender, while restricting their issues; but the year 1849 had hardly begun before the president of the council of ministers, M. Frère-Orban, formulated a series of reforms which he submitted to the Société Générale as the basis of the establishment of a national bank. The conditions were such as almost to compel a refusal. They constituted a demand upon an institution long in operation, generally prosperous and honorably known, and engaged from the beginning in affairs requiring time for their development, that it should suddenly restrict its operations at an almost certain loss and with grave prejudice to its credit.

The Government anticipated the refusal of the Bank to adopt this policy, and was fully prepared in that case to propose the creation of a new institution based upon the principle of issuing notes only upon commercial paper. From these conditions sprang the National Bank, which was established by a law of May 5, 1850. The new institution was given a duration of twenty-five years, which might be extended by law upon the demand of a majority

of the shareholders. The capital was fixed at 25,000,000 francs ($4,825,000), divided into 25,000 shares of 1,000 francs each.

The significance of the difference between the character of the new institution as representative of the State and those which it superseded in this capacity is indicated by the provisions of the charter in regard to the forms of business in which it might engage. These privileges, as laid down by the law and by the statutes of the bank, were to discount or buy bills of exchange and other obligations relating to commercial operations; to buy Treasury bonds within the limits to be prescribed; to conduct the purchase and sale of gold and silver; to grant advances upon those metals; to assume the collection of paper which might be remitted to it by individuals or firms; to receive money on current account; and to receive on deposit securities, precious metals, and gold and silver money, and, finally, to make advances in current account or for short terms on deposits of national securities or other securities guaranteed by the State, within limits and conditions to be fixed periodically by the administration of the Bank with the approval of the Minister of Finance.

The beginnings of the Bank were not brilliant. Commercial transactions in Belgium were limited in scope and were the subject of competition between the new bank, the Société Générale, the Bank of Belgium, and several other institutions. To perform the service of the treasury compelled the new institution to establish offices in the chief places of the country and wherever the government considered it necessary. It was con-

tended, moreover, by the authors of the law that the benefits which the Bank offered to commerce should be extended into all parts of the country, in order that no merchant or manufacturer should be excluded from its advantages. The Bank was prudently managed, however, and weathered the serious crises which shook Europe from 1855 to 1858 and from 1863 to 1866, without embarrassment to its credit.

A more serious test of the prudence and resources of the Bank came with the war between France and Germany in 1870. Belgium was close to the route followed by the contending armies. For this reason her banks were the channel through which flowed much of the money for the expenses incurred in the maintenance of both the French and German troops. Many private financial transactions also were transferred, from motives of prudence as well as convenience, from Paris and Berlin to the National Bank at Brussels. As the result of the demand for discounts Belgian commercial paper in the Bank, which stood on July 10, 1870, at 177,500,000 francs, rose by July 20 to 203,923,100 francs; on July 31 to 223,231,744 francs; and maintained itself until August 20 in the neighborhood of 204,000,000 francs ($39,372,000).

While other financial institutions and merchants thus sought discounts from the Bank much larger in volume than in normal times, the public was seized with panic and presented notes in large amounts for redemption. During the entire year 1869, with an average circulation of 177,000,000 francs, the amount in notes presented for redemption had reached only 216,507,760 francs, or a daily average of about 600,000 francs ($115,000). Dur-

ing the eighty-two days from July 1 to September 20, 1870, notes presented for redemption reached the sum of 85,022,000 francs, or over 1,000,000 francs ($193,000) per day. The pressure was felt most severely during the latter half of July, when the daily average attained about 2,094,000 francs ($404,142), and redemptions on the single day of July 20 were 6,286,000 francs, and on July 21 7,025,000 francs.

The intensity of the panic was much increased by the shortsighted measures taken by the government in casting distrust upon the soundness of the Bank, instead of giving it moral support. From the early days of July, the Royal Government, fearing that the declaration of war between France and Germany would lead to the violation of the neutrality of Belgium, warned the National Bank to take measures to transfer to Antwerp that portion of the metallic reserve representing the balance of the treasury. On July 13, 1870, without further previous notice, the Bank was informed that this operation must be effected without delay. The Bank had declared that the operation could be accomplished within three hours, and the sudden demand for its execution was a signal of alarm which did not fail to arouse great uneasiness. The order was revoked for the moment, only to be renewed on the 15th by an oral demand from a subordinate of the Ministry of Finance, with the condition that the transfer should be made under the superintendence of two agents of the department. The transfer of the metallic reserve of the treasury outside of Brussels deprived the Bank of valuable resources at a moment when anxiety was spreading throughout the country. Inevitably, the effort

to keep the measure secret was unsuccessful and provoked violent excitement, which led to many demands by the public for the redemption of notes at the counters of the Bank.

The Ministry of Finance added to the difficulties of the situation by directing its agents in the provinces to keep very small reserves in cash and not to modify their character—that is, not to exchange coin for bank notes. The Minister of War at the same time addressed to all the heads of army corps a circular warning them that he had taken measures in concert with the Minister of Finance that all agencies of the Bank, especially the most important, should be provided with gold, silver, and notes in sufficient quantities to provide for the exchange of bank notes which might be found in the military chests.

These measures threw such discredit upon the notes of the National Bank and so seriously impaired confidence in the circulation, at a moment when the difficulty of obtaining precious metals was becoming constantly greater on the foreign exchanges, that it soon became imperative to make a change of policy. The Minister of War on July 31—five days after his first circular—addressed a new order to the heads of army corps, informing them that he had been requested by his associate in the finance department "to recommend particularly to governing boards and to other paymasters of the army to demand as little gold as possible of the agencies of the National Bank and to pay in bank notes everything susceptible of being thus paid, as well as to exchange notes of 500 francs and 1,000 francs which might be on hand for denominations of 20 and 50 francs in order to facilitate payments."

It was too late to counteract fully the effects of the earlier measures. The Bank was compelled to raise the rate of discount and then to take restrictive measures by limiting the amount of paper accepted from the same indorser and maturing at the same date. Advantage had already been taken, from the date of the transfer of the treasury reserves to Antwerp, of the option given the Bank by the law to redeem its notes only at Brussels, except that it continued redemptions at Antwerp.

The Bank was struggling bravely in the meantime to meet legitimate demands. The cash reserve stood on July 15, soon after the trouble broke out, at 15,000,000 francs ($2,895,000), which was above 25 per cent of demand liabilities. The bank hastened to seek additional cash resources to the amount of 25,000,000 francs in the markets of London, Amsterdam, Hamburg, and Paris. In spite of the enormous amounts of coin called for by the crisis, the metallic reserve of the Bank was not permitted to fall below the limits assigned to it by the management.

The discount rate was promptly advanced in order to check unnecessary demands for accommodation. The rate remained from July 1 to July 15 at 2½ per cent for accepted bills and at 3 per cent for those which had not been accepted. These rates were promptly advanced on the 15th to 5 and 5½ per cent, where they remained until August 5, when they were again advanced to 6 and 6½ per cent. A rate of 7 per cent was then charged for drafts drawn from abroad upon Belgium.

At the outbreak of the crisis the Bank possessed foreign paper to an amount of 64,144,561.25 francs ($12,370,000).

Such prompt disposition was made of these securities to obtain coin that on July 31 the amount of such paper was reduced to 7,227,333.20 francs and on August 20 to 3,531,907.38 francs. The proceeds of this paper was employed in the purchase of gold and silver, principally silver bullion, which the mint converted into 5-franc pieces, with which the bank filled the void in its reserves caused by the redemption of notes.

Thanks to these energetic measures, which imposed a loss of 705,340.42 francs ($136,100), the Bank weathered the storm and was able by August 27, 1870, to reduce discount rates to 5½ per cent for accepted bills and 6 per cent for those not accepted, following this by reductions on September 20 to 4½ and 5 per cent, and on October 8 to 3½ and 4 per cent. Calm was reestablished by the middle of August and the Bank returned to normal conditions. The special commission which had been appointed by the Government to study the best means of allaying the disturbance found nothing to do, and the approach of the date of the expiration of the charter gave emphasis to the success with which the management of the Bank had piloted it through the storm and through the difficulties invoked by ministerial blundering.

So successfully had the Bank met the stress of the war between France and Prussia that there was little opposition to the renewal of the charter when the proposal was submitted in 1872. There were indeed protests from one or two deputies against bringing in the project of renewal on February 27, 1872, nearly three years before the expiration of the old charter, and there was a proposal to reserve to the chambers the right of revision at

either of the two sessions prior to January 1, 1883, which failed only by a vote of 38 in the affirmative to 53 in the negative, and 1 not voting.[a] The final vote in the chambers, however, taken on May 10, 1872, showed 87 votes in favor of the project of renewal, with only 6 in the negative, and 3 not voting. The debate in the Senate was short. The bill passed at the sitting of May 17 by the unanimous vote of the 37 members voting, with 1 abstaining because he was one of the censors of the Bank. The feeling indicated by the majority in the debates was in accord with a passage from the report made in the name of the central section of the Chamber of Deputies by M. Eudore Pirmez:[b]

"It might be asked if a profound examination of the principles on which the National Bank rests is still necessary. The discussion seems uncalled for. The National Bank is not attacked in any of its fundamental principles. Your sections, in devoting themselves to the examination of the subject, have brought none of these principles into question. They have limited themselves to considerations of detail. Beyond this, complete unanimity seems to reign. There is general accord with the position of the Government, that there can be no question of destroying in order to reconstruct, but only of preserving and improving. Parties, however lively their differences, have had the wisdom, to-day as in 1850, to silence their divisions in a matter which does not concern them, and we shall see without doubt an institution, created upon the proposition of one of the chiefs of one

[a] Documents Officiels, 1872, p. 409.
[b] Documents Officiels, 1872, p. 20.

of the great political schools, receive a new existence upon the proposal of one of the chiefs of the other—an agreement which honors equally him who had the initiative in the work and him who seeks only to render it better."

The extension of the charter became law on May 20, 1872. The capital of the bank was increased from 25,000,000 francs to 50,000,000 francs. The provision was then first introduced that the circulation in excess of 275,000,000 francs should pay a tax of a quarter of 1 per cent semiannually, or at the rate of one-half of 1 per cent a year. It was at this time also that the requirement was first imposed that the profits arising from a discount rate above 5 per cent should go into the public treasury. The life of the Bank was extended until January 1, 1903, and it was not for more than a quarter of a century that the question of the relations of the Bank to the State and the public again came under general discussion.

So firmly was the credit of the Bank established after the trial of the war between France and Germany that it was specially stipulated in the treaty of peace between the belligerent countries that among the forms of payment accepted by Germany from France should be notes of the National Bank of Belgium. The effect of this stipulation upon the operations of the Bank was thus set forth in the annual report for 1874:[a]

"It has not been forgotten that the treaty of Frankfort, concluded between Germany and France, stipulated for the admission of Belgian bills as one of the means of

[a] Quoted by Noel, I, p. 511.

liquidation of the war indemnity. This striking proof of the confidence inspired by our establishment abroad, however honorable it may have been, was not without certain inconveniences for Belgium. It provoked naturally an unsought extension and considerable fluctuations in our credit circulation. The redemption and reinstatement in our vaults of more than 115,000,000 francs of these bills, effected within a space of five months, will permit the appreciation of the importance of these movements. One of the oldest and most powerful financial institutions of Berlin (the Maritime Commerce Company) was charged by the German Treasury with the negotiation of our bills. This institution made overtures to the National Bank with a view of effecting the exchange under the most advantageous conditions. We did not hesitate to extend a cooperation entirely disinterested, having no other concern than to guard the commerce and industry of the country from the inconvenience of sharp variations in the bank reserve, which would inevitably have produced considerable exportations of the precious metals. It was especially by means of the purchase of foreign paper, of which the influence can be found in the assets of the Bank, that the repayment of so considerable a sum was effected, without shock and without prejudice to the country."

The increase in the discounts of the Bank during the two years 1872 and 1873 showed the influence of these operations. Total discounts, which had been only 1,522,000,000 francs in 1871, advanced to 1,853,200,000 francs in 1872, and to 2,019,300,000 francs ($389,000,000) in 1873. The increase was striking in the number of bills

drawn upon Belgium, but was more notable in the proportion of foreign bills discounted, which increased in amount from 2,400,000 francs in 1871 to 125,800,000 francs in 1872, and 67,300,000 francs in 1873. The amount of this foreign paper discounted fell off in 1874 to 38,000,000 francs, only to increase materially a few years later, when the policy of carrying foreign bills in the reserve was permanently adopted.

In anticipation of the expiration of the charter in 1903, a measure was prepared by M. P. de Smet de Naeyer, Minister of Finance, which was the basis of the law finally enacted; but a vigorous and prolonged opposition developed from the benches of the Socialist party, which was represented in the chambers by some of the most eminent and learned professors of political economy in Belgium. The project of the Government, making moderate changes in the charter, was presented to the chambers on December 22, 1898. It will be seen in the sequel that while the government's project became law without modification and did not change the essential character of the Bank, yet the influence of the critical attitude assumed toward corporate property was shown in the government project itself in the heavy burdens imposed upon the Bank and the large share in its profits attributed to the State.

Upon several important questions a considerable vote was cast for the amendment of the government measure. A proposal by M. Theodor, in the Chamber of Deputies, that the Government should have the right to terminate the charter on January 1, 1914, if a preliminary notice were given of two years, received 25 votes, with 73 votes in the negative.[a] Upon two amendments, compelling

[a] Discussions Parlementaires, 1900 (sitting of January 31, 1900), p. 526.

the Bank to advance funds to the Government to promote small agricultural and urban credits, the vote was much closer. The amendment of M. Theodor, setting aside 20,000,000 francs for such purposes, failed only by a vote of 39 against 47; while that of M. Delvaux, authorizing the Government to borrow for such purposes on treasury bonds to an amount not exceeding 3,000,000 francs a year, failed by 38 votes against 43.[a]

When the vote was taken on February 15, 1900, in the Chamber of Depnties, 66 members voted for the government project, 29 voting in the negative, and 7 abstaining from voting. In the upper chamber, as in 1872, the debate was much shorter and the supporters of the Government were relatively stronger. The bill passed at the sitting of March 23, 1900, by a vote of 55 in the affirmative, 2 in the negative, and 5 abstaining from voting—4 upon the ground of participation in the ownership or management of the Bank and 1 upon the ground that the bill did not embody two provisions which he considered of vital importance.[b]

The new law, which was proclaimed by King Leopold on March 26, 1900, continued the life of the Bank until January 1, 1929, and made no change in the amount of the capital. The most important changes made were in granting a larger share in the profits of the Bank to the Government. The limit of untaxed notes was left unchanged at 275,000,000 francs, in spite of the increase in the circulation, from about 200,000,000 francs in 1870 to 600,000,000 francs in 1900.

[a] Discussions Parlementaires, 1900, pp. 684–686.
[b] Ibid., pp. 896–897.

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THE QUESTION OF A STATE-OWNED BANK.

The National Bank of Belgium, as already set forth, is a joint-stock company, so far as concerns ownership, but is under the direct supervision of the State. It was declared by Article XXIV of the law of 1850, which is still in force:

"ARTICLE XXIV.

"The Government has the right to control all operations. It shall have the power to prevent the execution of any measure which shall be contrary to the law, to the statutes, or to the interests of the State."

The governor is appointed by the King for five years, and may be reappointed. The six directors, who constitute with the governor the active administrative council, are chosen in general meeting of the shareholders, and serve for six years. The Government exercises its supervision through a special commissioner, whose compensation is fixed by the Government by agreement with the Bank, but which is paid by the Bank. There is also a council of censors, consisting of seven members, elected by the shareholders, and performing the functions of auditors and supervisors.

Thus, while a firm guiding hand is kept by the Government upon the National Bank, it is governed in its commercial operations by officers chosen from the business community and in accordance with the demands of commercial conditions. The subject was discussed at considerable length in 1899 whether this form of organization, similar in general character to that of the Banks of France and Germany, should not be superseded by that

of a bank owned entirely by the State. On the very day following the presentation in the chambers of the government measure for the renewal of the charter, Prof. Hector Denis, one of the leading professors of political economy in Belgium and a pronounced advocate of state socialism, submitted a proposal that there should be a general inquiry into the operations of the Bank and other banking institutions in Belgium. He proposed that the inquiry should be made by the Superior Council of Industry and Commerce and should deal with the following subjects:[a]

"On the actual conditions and degree of development which has been attained in Belgium by credit, and especially commercial credit in all its forms.

"On the part in this which has been taken by the National Bank.

"On the independent institutions which are interested therein and their relations with the National Bank.

"On the reforms which experience and science will permit to be introduced into Belgium, in the interest of the general body of merchants and producers of the country and in the interest of the State, in the organization and development of credit and of circulation, and in the operations of a bank of issue.

"On the extension of perfected modes of collection, payment, transfer, and clearing, which will save or render unnecessary in the future the employment of metallic money.

"On the means of preventing or ameliorating monetary crises.

[a] Documents Parlementaires: 1900, pp. 97–98.

"On the maintenance of the privilege accorded to the National Bank or on the reforms which should, in the interest of commerce, of the public, and of the State, be introduced into the legal constitution, the organization, the services, and the operation of said Bank and its branches, and its relations with other Belgian institutions, with the Government, or with foreign banks."

This inquiry was vigorously opposed by the representatives of the Government in the chamber as involving unnecessary delay and as entirely uncalled for by conditions prevailing in Belgium. The memorandum submitted by M. Denis quoted Professor Nasse, of the University of Bonn, as declaring that "for a long time the issue of bank notes was a private banking operation in the same manner as the creation of bills of exchange, and that it was only little by little that the bank note assumed the character of money which it now possessed. At the present time, since the public character of the issue of bank notes is recognized, one is guilty of an inconsistency in confiding this public service to a private corporation." After quoting these words, Professor Dénis summed up his memorandum with this declaration:[a]

"And if he speaks truly, the nation which has succeeded in creating the Union of Credit and which has solved the problem of the savings bank more threatened, perhaps, in the past with abuses by the State than banking itself, is that nation powerless to realize scientifically, and to eliminate all abuses from it, the system of a state bank? Even if, while recognized as sound and attainable, it may not perhaps be the work of a single day, the

[a] Documents Parlementaires: 1900 p. 89.

influence of an inquiry will yet inoculate the public mind with the necessity of preparing for it by a normal and organic evolution and of giving it the imprint of our national genius."

Against this demand for a state-owned bank, which was supported by arguments going to show the profits made by the National Bank, the central section of the Chamber of Deputies made a report through M. Delbeke on June 29, 1899, which took up most of these points. It opposed the inquiry demanded by M. Denis upon the ground that no complaint had been made against the organization of the Bank or its operation, neither on the part of commerce, of industry, of finance, of borrowers, by organized bodies, nor in the press. The National Bank, it was declared, is alone, perhaps, in presenting this phenomenon; in a country where everybody complains no one complains of it. On the contrary, the Union of Credit and the popular banks have inscribed in their reports the expression of their satisfaction and of their gratitude.[a]

It was declared by M. Delbeke that the expression "a bank of state," did not convey the idea of a clearly defined type. In certain respects the National Bank of Belgium might be called a state bank, since the State named and removed its chief officers, controlled its management by a commissioner, and was required to approve the most important of its acts. The real question was reduced, therefore, to the abolition of the capital furnished by individuals. The majority of the section for which M. Delbeke was reporting declared themselves opponents of the theory of complete state control, because they considered that the

[a] Documents Parlementaires: 1900, p. 103.

State, already a bad manufacturer and a bad merchant, would prove a still worse financier. It was not a question whether a state bank was possible, but whether its management would be better than one under private initiative, guided by self-interest and controlled by the public powers. Upon this point M. Delbeke continued: [a]

"The answer can not be doubtful when one considers the grave inconveniences in the management of general credit which would be presented by the constant intrusion of political considerations. The discounts, the credit to be granted to this or that person, to this or that class, the collateral to be waived or required for such a group of citizens, the advances in mass to be made to this or that element of the population—all these would become the clubs of election day. It would be discussed in the campaign and would form the object of pledges taken by candidates elected and even of imperative restrictions. Is it necessary to add that these questions would be determined under the single impulse of appetite and in absolute contempt of economic laws and of the necessities of credit and of the circulation? One would thus find created and steadily growing an electoral scourge till now unknown.

"An example is furnished even this year in Germany by the debates on the renewal of the monopoly of the Bank of the Empire which gives visible form, even to the least clear-sighted, to this great danger. The suppression of the private capital has been demanded there with ardor by the agrarians and not by the socialists, who, contrary to the policy of the socialists of Belgium, have energetically demanded its continuance. The agrarians wish to render

[a] Documents Parlementaires: 1900, p. 121.

the State master of the Bank, because they are to-day masters of the State. If the State becomes master of the Bank of the Empire, the agrarians hope that nothing can longer prevent them from compelling the State to employ the funds of the Bank in the execution of their programme. It is important to place the central organism of credit aloof from such assaults, under which it would not fail to succumb, dragging down with it public prosperity.

"It is a common error to believe that the State alone gives solidity to a bank of issue, that the credit of the State is the sole origin of the credit of the Bank and of its notes, and that, in consequence, it can not be dispensed with. History proves that governments have been saved by the credit of the chartered bank and that the credit circulation has remained intact, thanks to its private origin, in the midst of the crash of the credit of the State. 'The Bank of France saved us,' said M. Thiers, 'because it was not a bank of state.' During the war of 1870, says a leading unsigned article in the 'Journal des Débats' of July 2, 1895, the securities of the State had fallen from 72 per cent to 50 per cent, while the note of the Bank of France, bearing the signature of a private establishment, had lost almost none of its value.

"Is it necessary to point out, among so many other dangers, the danger in the liberty given to governments to draw upon the resources of the bank of issue—the irresistible temptation to inflate the credit circulation and to transform the bank note into paper money and ultimately into the assignat? It is vain to pretend that this temptation is not irresistible. The facts show it to be such. In vain is it answered, that even private banks, like those of

Spain and Portugal, have not had the virtue to resist the solicitations of the treasury in extremity. The real point is whether the credit of these nations would not have fallen even lower with banks of state. In vain is it said that private interest in its turn will drive the banks into complacency toward the State. In private banks of issue this private interest finds in itself an insurmountable limit to its complacencies."

Turning to the point that all the profits now going to private owners could be converted into reductions of the rate of discount to borrowers, so as to realize the optimistic dream of an interest rate of one-tenth of 1 per cent, M. Delbeke inquired how it would be possible with such a rate to prevent the commercial paper of the world pouring into the Bank and exhausting its resources. The state bank, moreover, however ably managed, would not be able to act with the promptness of a private bank in great emergencies. Referring to the suspension of a banking house at Brussels a few years before, it was recounted how several millions had been obtained within an hour from the National Bank. "If I had had to deal with a bank of state," said the narrator, "I would not have dared to make the application, because it would have involved sums belonging to the treasury. Moreover, I would not have been able to do it without the intervention of the legislature; and before the chambers had acted the catastrophe would have taken place."

In view of these considerations and others which were invoked, the central section declared that the system already in operation afforded the advantages and assurances of private initiative at the same time as the guaran-

tees of intervention and control by the State, and was thus in accord, not only with the suggestions of wise and practical policy, but with the latest conclusions of financial science.[a]

Their attitude was sustained in the Chamber of Deputies by a large majority. Professor Denis crystallized the movement for a state-owned bank by a proposed amendment to the government measure, which gave to the bank an independent legal personality, but proposed that the capital should be provided by the State in the form of 3 per cent rentes, which should not bear interest while in possession of the bank. The liabilities of the bank, in case of liquidation with impaired assets, were to be met by the State. The council of administration was to be named by the King, the college of censors by the chambers, half to be chosen from lists submitted by the Superior Council of Commerce and Industry. This proposal was rejected, 23 to 72, with one member abstaining.[b]

In the Senate report also the project of a state-owned bank was severely criticised. Among the reasons set forth for opposing such a new departure were these:[c]

"There is first, the confusion of public and private credit, to the great damage of each; for they ought to remain distinct, for their respective good and for the mutual assistance which they are at times called upon to lend to each other. Further, there is the acceptance by the State of a task—the task of discounting—which is not within its competence and of which, even with the best of will, it will acquit itself badly. It is neither wise

[a] Documents Parlementaires: 1900, pp. 121–126.
[b] Discussions Parlementaires: 1900, p. 464.
[c] Documents Parlementaires: 1900, pp. 341–344.

nor practicable to suppress the legitimate stimulus of private interest in such affairs as discount. It must not be believed that in such a matter disinterestedness alone suffices or can afford a better guide than the foresight of those who run the risks and reap the benefits of such operations. * * *

"The bank of state has been represented as a means of furnishing credit to a greater number of persons, as a means of popularizing credit (democratiser le crédit). It is possible to imagine a bank of Providence, distributing capital to every applicant without adequate guaranties; but such an organism is the negation of the conditions upon which the problem of credit rests and ought to be solved. It would involve within a brief interval filling the assets with impaired securities, the ruin of the bank, and the demoralization of credit itself.

"Others see in a bank of state a means of procuring discount at the lowest possible price for all, at 'the price of return,' as has been said—indicating by that the cost of administration and a premium against risks. But this is a misunderstanding of the factors by which the market for money is governed, independent of the institution which grants discount, whether that be a bank of state or a private bank. The first is no more capable of reducing the rate of discount than the second. One does not find, indeed, that banks of state acquit themselves of this function better than others—witness the Imperial Bank of Russia, which in the month of December last recorded a rate of 7 per cent—unless one wishes to fix rates artificially low, surrendering the resources of the bank to the assaults of bad paper within and pillage from without!

But this again means ruin and demoralization by another road."

In the Senate the debate on the articles of the new law was brief and no amendment was offered to change the fundamental character of the Bank.

CHARACTER OF BUSINESS PERMITTED AND FORBIDDEN.

The fundamental principles upon which a bank of issue should be based, as set forth by M. Frère-Orban in proposing the charter of the National Bank in 1850, were as follows:[a]

"A bank ought to devote itself only to operations which are certain. It should be able always to meet its engagements. It should be in a degree infallible. Every enterprise or form of commerce of a nature to impair its credit ought to be carefully avoided. It ought not to lock up its capital. It ought not to borrow, but should operate with its own resources. It should not carry on industry, but it ought to be impartial and to discount paper which embodies the required conditions. It ought to stand as intermediary between the capitalist and the producer, to distribute capital with justice and liberality through all parts of the body corporate."

Significant of the determination to adhere to these principles are the restrictions imposed upon the character of investments allowed to the National Bank. It is in these restrictions that the charter shows the influence of the difficulties which were encountered by the Bank of Belgium and the Société Générale in attempting to maintain a note issue on the basis of general financial opera-

[a] Documents Parlementaires: 1900, p. 400.

tions. Article VIII of the law of May 5, 1850, confined the Bank to strictly commercial operations—that is, to investments in commercial paper and bills of exchange. The Bank was indeed, by this article, authorized to make advances in current account or for short terms on deposits of national securities or other securities guaranteed by the State, but even this moderate privilege of tying up assets in securities representing fixed capital was to be confined "within limits and conditions to be fixed periodically by the administration of the Bank, jointly with the council of censors and the approval of the Minister of Finance." Apart from this restricted power to invest in securities and the broader power to invest in commercial paper, the Bank was authorized by Article VIII to engage only in those operations which are a usual prerogative of commercial banks and do not involve the risk of locking up assets—transactions in gold and silver; the collection of commercial paper for clients; the acceptance of deposits; and the holding of securities, precious metals, and money on deposit and trust.

All other classes of operations were prohibited to the Bank. These prohibitions were specially enumerated in Article IX of the law of 1850. The Bank could neither borrow nor make loans on mortgages nor on the deposit of industrial shares. It could not lend on its own shares nor buy them. It was not permitted to take part, directly or indirectly, in industrial enterprises, to engage in any form of commerce except that in gold and silver, or to acquire any real property except such as might be strictly required for its offices and necessary business.

To these restrictions the Bank has been strictly held. Indeed, so rigid was the interpretation put upon its powers

that at the time of the revision of the charter in 1872 the central committee of the Chamber of Deputies inquired of the Government whether it was true that the Bank was refusing to discount paper based upon purchases of material. In replying to this inquiry, the Government submitted a circular issued by the Bank under date of January 21, 1862, which recommended to the discount offices to refuse paper coming under the following heads:[a]

"I. Bills arising from payment for real estate or which have their origin in real estate transactions.

"II. Promissory notes or bills to order signed by individuals who are not merchants nor manufacturers, even when such bills are presented by bankers or brokers.

"III. Bills evidently having their origin in the construction or enlargement of mills or their equipment, the execution of public works, or any other investment in fixed capital (immobilisation de capital).

"IV. Bills signed for investing the proceeds in industrial corporations or for the purchase of shares in such corporations.

"V. Finally, bills signed for the renewal of others which have matured or are about to mature."

In explaining the application of this circular, the central committee which was reporting on the renewal of the charter said:

"The somewhat too general terms of the third provision have led to some misapprehension upon the extent of the restriction. The Bank has never applied this requirement in the sense that the manufacturer of machinery, for instance, who deals with a manufacturer for the materials

[a] Documents Officiels: 1872, p. 81.

which are furnished to him, can not discount his draft. This constitutes a commercial sale which falls within the operations of the Bank; but it would be otherwise if, instead of having recourse to the Bank to discount paper which represented a transaction already made, it was sought to obtain the credit necessary for the building or enlargement of factories. This would constitute an operation of partnership which would fall outside the scope of the affairs of a bank of issue. Thus understood, the decision of the Bank appears to be beyond criticism."

The only change made in these practices by the law of March 26, 1900, was the addition of a provision bringing certain agricultural transactions within the definition of acts of commerce. It was provided by Article XI of the new law as follows:

"There shall be considered as operations of commerce under the terms of Article VIII, section 1, of the law of May 5, 1850, purchases and sales made by farmers and to them of cattle, agricultural implements, fertilizers, seed, crops, and generally merchandise and supplies relating to the exercise of their industry."

The usual provisions are made, however, in regard to real estate or mortgages taken as security for loans which are found to be unsound. Article XXXIX of the statutes of 1900 is as follows:

"The Bank may accept by way of a pledge, mortgage, or security real estate and other property to protect obligations which are doubtful or overdue. Such real estate and property must be alienated within a period of two years, unless the Minister of Finance grants a longer term."

The statutes of the Bank defined more particularly the character of the paper to be discounted and the terms of discount. The language of the law, "securities easily convertible," is supplemented by the following provisions of Article XXVI of the statutes:

"There shall be discounted only commercial paper to order, stamped, based upon an actual operation (ayant une cause réelle) maturing in not more than one hundred days and guaranteed by three solvent signatures."

Two exceptions are made to the rule of three signatures. The first declares that commercial paper with two signatures may be admitted in such manner and under such conditions as may be determined by rules framed by the general council and approved by the Minister of Finance. The second provides that a pledge in the form of a warrant or merchandise, sufficient to meet the whole of the credit, may take the place of two of the signatures. The three articles approved by the Minister of Finance concerning admission of paper with two signatures are as follows:

"I. The Bank does not accept paper with two signatures coming from agencies; but the signatures of the comptoir (or discount office) may constitute the third signature.

"II. In the case of signatures coming from a branch, the Bank accepts only those of persons borne on the list prepared each year by the council of administration of the Bank upon the proposal of the administration of the branch, including the discount committee.

"The administrators of a branch do not accept paper with two signatures, when there is opposition on the part

of one of them, without referring it to the council of administration of the Bank.

"III. Paper with two signatures presented at Brussels shall be accepted only if the directors are unanimous or if the opposition does not represent a third of those voting, and, in the absence of unanimity, upon the condition that the discount committee has not been unfavorable to the acceptance of the paper."

The system pursued in discounting paper approved by a discount office at the same rate of discount as that having three signatures differs in some respects from the system at other European banks, where merchants often obtain the three signatures required by the payment of a commission to a banker.

A significant indication of the tendency to persuade banks of issue to accept securities other than those growing out of actual commercial operations was afforded by the debate in the Chamber of Deputies on the renewal of the charter in 1900. The contest made by M. de Somzée turned nominally upon the question of three signatures, but much of this argument was directed to the contention that paper which was discounted might be based upon the deposit of securities. M. de Somzée declared that under the existing policy the third signature was usually that of a banker who was in effect only an intermediary between the maker of the paper and the National Bank. The bankers who lent their aid with the National Bank considered two signatures sufficient to protect them against loss. Hence they gathered the profits of their intervention in some measure without risk, and thus absorbed uselessly a part of the profits of the manu-

facturer, the merchant, and the laborer. The figure of 18,000,000 francs had been cited as the amount of profits made annually by bankers simply by giving their signatures, but this calculation did not apparently include the exactions arising from emergencies and caprice, by which the bankers maintained their domination over at least a part of their clientèle, often the least favored by fortune and the most numerous. It was charged by M. de Somzée that the requirement of three signatures was only too often exercised in favor of certain merchants and manufacturers favored by the private banks, who considered only their own interest and preferences.

It was declared that nothing was easier than to abandon the requirement of the third signature. The National Bank, through its numerous branches, was able to be as well informed as the private banks. If the principle of two signatures was admitted, it would involve, evidently, not the acceptance exclusively of public funds, but also mortgage obligations and deposits of industrial securities, which should be accepted according to a method to be prescribed in the regulations reorganizing the operations of the Bourse. Such securities should have been quoted during a period of at least two or three years, and should be admitted at a rate which should not be less than 50 per cent, for instance, of the quotation corresponding to an average taken during this entire period. It was suggested by M. de Somzée that if the third signature was no longer required, the bank might collect a small commission supplementary to the regular discount rate, and from the amount thus collected create an insurance fund to cover possible losses. At the end of several years, if this fund

attained an amount considered by the Government to be sufficient, the excess might be covered into the funds for old-age pensions or laborers' insurance.[a]

The proposals of M. de Somzée were not acceptable to the Government. It was pointed out, in the elaborate report made to the Senate by the committee on finance and public works by the Chevalier Descamps, that the real point of the amendment was to make discount with two signatures under certain conditions obligatory. Otherwise it would have no point, because the government of the Bank already had the authority to discount paper with only two signatures when it was acceptable. M. de Somzée also ran the risk of injuring those whom he wished to serve by exposing them to the rejection of paper which, if it bore a third signature, might be accepted. Finally the standard of security proposed for the admission of paper of two signatures was far from being irreproachable in itself from the point of view of the requirements imposed upon a bank of issue.[b]

VOLUME AND CHARACTER OF DISCOUNTS.

The volume of domestic discounts has tended to increase at the National Bank of Belgium in spite of the competition of the joint-stock banks. The foreign bills discounted have increased in proportion to the domestic bills, as is set forth under the discussion in regard to the employment of foreign bills in the reserve. The limitation of the business of the Bank to commercial discounts, with only slight exceptions for loans on treasury bonds and

[a] Discussions Parlementaires: 1900, pp. 333–337.
[b] Documents Parlementaires: 1900, p. 405.

advances on public funds, makes the classification of the loans comparatively simple. The following table shows the total number of pieces of paper discounted and the total amount, for representative years, with the domestic discounts separately stated:

Volume of discounts

Year.	Total discounts.		Domestic discounts.	
	Pieces discounted.	Amount.	Pieces discounted.	Amount.
		Francs.		*Francs.*
1851	----------	186,200,000	----------	81,400,000
1855	170,395	484,600,000	157,578	358,000,000
1860	382,831	757,600,000	380,237	729,500,000
1865	805,109	898,100,000	804,037	816,400,000
1870	1,064,281	1,337,000,000	1,052,792	1,205,100,000
1871	1,153,032	1,522,000,000	1,152,894	1,519,600,000
1872	1,311,569	1,853,200,000	1,304,969	1,727,400,000
1873	1,444,178	2,019,300,000	1,442,340	1,952,000,000
1875	1,628,979	1,916,900,000	1,625,820	1,832,100,000
1880	2,206,651	1,994,600,000	2,185,914	1,647,000,000
1885	2,736,174	2,088,600,000	2,716,208	1,666,200,000
1890	3,095,360	2,355,514,327	3,079,937	1,958,620,883
1895	3,206,579	2,894,249,929	3,182,551	2,168,085,897
1900	3,797,627	3,442,889,721	3,776,123	2,749,708,627
1901	3,892,835	3,370,838,904	3,869,987	2,551,426,453
1902	3,974,785	3,428,962,667	3,951,190	2,616,742,522
1903	4,007,183	3,635,330,287	3,984,794	2,882,497,681
1904	4,094,115	3,603,115,198	4,071,016	2,855,435,893
1905	4,224,278	3,861,905,820	4,200,269	3,082,823,161
1906	4,410,492	4,255,516,809	4,388,858	3,405,998,103
1907	4,500,939	4,449,748,475	4,481,032	3,525,125,142
1908	4,450,433	4,362,485,297	4,426,649	3,055,895,288

The Belgian paper discounted by the National Bank consists chiefly of two classes—accepted paper and non-accepted paper and promissory notes. In addition to these two principal classes, however, there are some operations in purchase and sale, loans upon warrants, and loans upon treasury bonds. The accepted paper plays

usually the largest part in the amount of discounts, but as it represents much larger transactions than the unaccepted the number of such transactions is less. As acceptances are in vogue to only a limited extent in the United States, it may throw light on their character to quote here the definition of acceptance given in a French dictionary of commerce and based upon the French commercial code. This definition is as follows: [a]

"*Acceptance.*—This is the act by which the person drawn upon engages to pay the amount of a letter of exchange to the person who may be at maturity the regular holder of such letter. It is accomplished by the indorsement on the letter of exchange made by the drawee of his signature, preceded or not with the word 'accepted' (art. 122). Acceptance, besides the general conditions relative to consent, must be the work of a person capable of obligating himself by a letter of exchange. It may be partial, but not conditional (art. 124). Its effect is to create an obligation on the part of the drawee toward the holder at maturity, with all the consequences attached by law to obligations arising from a letter of exchange."—Commercial Code, arts. 118–125.

The employment of accepted paper is a common feature of European banking, because the fact of acceptance gives it a better standing and more ready convertibility. Hence, as stated, accepted paper has usually exceeded the non-accepted paper in the transactions of the National Bank of Belgium, although the unaccepted has represented a much larger number of pieces. The ratio of accepted

[a] Dictionnaire du Commerce, de l'Industrie et de la Banque: Yves Guyot et A. Raffalovich, I., p. 22.

and nonaccepted paper drawn upon Belgium for representative years appears in the following table:

Character of paper discounted.

Year.	Accepted paper.		Nonaccepted paper and promissory notes.	
	Number.	Amount.	Number.	Amount.
		Francs.		*Francs.*
1892	494,793	926,542,297	2,499,844	762,891,500
1897	504,198	1,145,970,512	2,913,567	887,720,956
1900	532,419	1,441,732,237	3,242,271	1,120,008,311
1904	538,145	1,238,316,365	3,530,028	1,092,763,036
1905	551,077	1,335,946,216	3,646,804	1,136,170,455
1906	583,815	1,517,385,827	3,801,144	1,246,208,350
1907	592,371	1,595,977,459	3,885,186	1,302,572,748
1908	576,805	1,259,104,156	3,846,641	1,245,146,069

The average value of accepted paper per piece differs widely from that of nonaccepted, because the former comes largely from responsible houses engaged in foreign trade and the latter includes many small discounts granted to retail tradesmen. Thus the average for the accepted paper, largely consisting of foreign bills, ranges between $400 and $500, while for the nonaccepted paper the average value is nearer $60. The variations from year to year in the average value have not been of special significance in recent years. They have not brought down the average, which is already nearly as low as that of the Bank of France. Statistics are not given regularly in the annual reports of the number of small bills, but as early as 1887 more than three-quarters of the whole number of discounts were for amounts under 500 francs ($96.50). In 1899 this proportion had risen to 81 per cent. Upon the facilities afforded in this regard the

report of the Chevalier Descamps to the Senate made these observations:[a]

"It should be first remarked that in all the banks of issue of Europe small commercial bills are taxed with a minimum interest charge or are subject to a minimum limit. The National Bank has established a minimum neither for the amount of such paper nor for the interest to be collected. This is an advantage always more and more beneficial for small transactions. In effect, the creation of popular banks and unions of credit, as well as the facilities which certain retail houses grant to their clients for weekly or monthly payments, have quintupled within a few years the number of small bills. Statistics based upon a sufficiently long period demonstrate that such small bills fill the assets of the bank in the following proportions:

"Of the number of commercial bills admitted to discount, 14 per cent are for less than 50 francs; 32 per cent are for less than 100 francs; 58 per cent are for less than 200 francs; 70 per cent are for less than 300 francs; 76 per cent are for less than 400 francs; 81 per cent are for less than 500 francs.

"Being given the proportion of paper of less than 100 francs admitted to discount, with a minimum of ten days' interest, on the 15th and 30th of each month, it is easy to comprehend the discount facilities accorded to small paper, for which the interest collected is far from compensating the cost which is imposed by its collection.

"In no other bank does the small commerce enjoy a like privilege. The Bank of France levies a minimum

[a] Documents Parlementaires: 1900, p. 415.

of 10 centimes per bill. The Imperial Bank of Germany levies 10 pfennigs per 100 marks. The Bank of the Netherlands levies a minimum interest of fifteen days. The Bank of Italy charges 1 franc per bill and five or ten days' interest according to locality. The Bank of Switzerland levies 50 centimes per bill and fifteen days' interest."

The average maturity of paper discounted at the Bank of Belgium illustrates the rule which prevails at other central banks of Europe—that the maturities are much within the legal limit, chiefly by reason of rediscounts. The maximum limit of paper which can be discounted at the National Bank is one hundred days, but the highest average for accepted paper during the past dozen years has been forty-six days and for nonaccepted paper forty-three days. The range of variation for accepted paper has been from thirty-nine to forty-six days and for nonaccepted paper from thirty-seven to forty-three days. These variations are all so far within the limit of convertibility that they are not of great significance. There was a tendency to the shortening of the period of maturity during the early history of the Bank, but as the term in 1866 was only fifty-four days, the margin of possible reduction was small and was practically attained in 1880, when the average term was forty-five days. If any deduction is to be drawn from the increase of the period during which bills discounted have to run in such a year as 1908, it is probably that persons having paper were desirous of converting it into currency or banking credit more promptly than under easier money market conditions. The figures which appear below represent

only an average, based upon the amount of paper running for different periods. This leaves room for some paper of much longer maturities and for some of much shorter maturities. The following table shows the averages for recent years:

Average values and maturities of discounts.

Year.	Accepted paper.		Nonaccepted paper.	
	Average value per piece.	Average maturity.	Average value per piece.	Average maturity.
	Francs	*Days.*	*Francs.*	*Days.*
1892	1,872.59	39⅓	305.18	42⅓
1896	2,117.47	43	296.68	39
1897	2,272.86	42	304.69	38
1898	2,231.79	43	308.46	39
1899	2,449.27	41	332.63	37
1900	2,707.89	39	345.44	37
1901	2,310.76	42	332.81	40
1902	2,320.26	42	314.94	40
1903	2,390.51	43	308.00	41
1904	2,301.08	44	309.57	41
1905	2,276.59	44	300.40	41
1906	2,599.08	45	327.85	43
1907	2,694.22	45	335.26	42
1908	2,182.88	46	323.69	42

It was contended, in the debates over the charter of 1900, that the Bank should pursue on a larger scale the policy of direct discounts and as a means to this end should abandon in the case of good commercial paper the requirement of three signatures. The benefits to the merchant arising from this change, according to M. Bertrand, one of the most vigorous critics of the Bank, were that he would obtain the benefit of the minimum discount rate, instead of paying always 1 per cent above this rate to the bankers. The Bank, it was declared, would benefit on its side by

deriving an income during the whole period for which the paper ran, instead of during the short period for which it was discounted. The larger banks, M. Bertrand declared, which have considerable resources, remit paper to the National Bank only ten days before maturity. The saving in discount to the mercantile community by direct discount at 3 per cent in lieu of 6 per cent usually paid to bankers was estimated at 18,000,000 francs ($3,474,000).[a]

The three classes of obligations discounted, apart from commercial paper, represent a minor part in the total volume of business, but an amount not entirely insignificant. The operations of "purchase and sale" represent banking securities on foreign countries which can not be collected by the bank itself and are therefore discounted on condition of being purchased back by the discounters before they become due.[b] Only bills which have been accepted are admitted to this class of operations. These operations were larger fifteen years ago than the other two classes of operations combined, but the admission of warrants to discount in 1886 has been followed by considerable development in loans of this character.

Operations in purchase and sale in 1892 numbered 168 and amounted to 123,502,708 francs ($23,840,000). The number of such operations had risen in 1900 to 616, but the amount had fallen to 111,061,399 francs. Operations of this character were more extensive in 1905, when the number was 778 and the amount was 430,063,247 francs ($83,000,000); but there was a decline in 1906 to 890

[a] Discussions Parlementaires: 1900, pp. 5–8.
[b] London Bankers' Magazine, September, 1908, LXXXVI, p. 369.

operations, representing a total of 412,022,772 francs; in 1907 to 667 operations, representing an amount of 327,686,893 francs; and in 1908 to 502 operations, representing an amount of 177,501,217 francs ($34,250,000).

It was not until 1886 that the National Bank admitted warrants to discount. The principle of such operations was combated very energetically at the time of the discussion of the law of 1872 by M. Frère-Orban, former president of the council, as incompatible with the conditions of a well-conducted bank of issue. He declared at the sitting of May 1, 1872:[a]

"The bank ought not to discount warrants, because they are not securities immediately realizable. It is an operation which can and ought to be carried on, but by other institutions than the National Bank. Such operations would be of a nature to compromise, at a given moment, the circulation and the convertibility of notes, for warrants are not securities which are immediately and easily realizable."

Notwithstanding this reasoning, warrants were admitted to discount in 1886, and reached in 1887 6,034,705 francs. The total number of warrants discounted during the year 1908 was 2,687 and the amount was 289,143,846 francs ($55,800,000). This represented, however, less than 10 per cent of the total discounts in Belgium, which were 3,055,895,288 francs ($589,770,000). The progress of operations in warrants is shown in the following table:

[a] Noel, I., p. 519.

National Bank of Belgium

Operations in warrants.

Year.	Number.	Amount.
		Francs.
1887	----------	6,034,705
1892	620	19,780,979
1897	1,530	65,007,984
1900	813	36,906,679
1905	1,603	110,643,243
1906	2,999	155,381,153
1907	2,796	222,888,041
1908	2,687	289,143,846

Warrants admitted to discount must be guaranteed by two solvent signatures and accompanied by evidence that the goods involved are deposited in warehouses possessing every condition of security. They must be insured and authority must be given the bank to take samples. The rate of advance is fixed provisionally at 75 per cent of the amount of the warrant. The articles on which warrants are regularly admitted to discount are:[a]

Steel, in bars.
Building timber.
Coffee.
Hemp.
Raw cotton.
Raw hair.
Hides, salted.
Copper.
Tin.
Tow.
Flour.
Iron ore and pig iron.
Castings.
Madder.
Gums.
Grains.
Indigo.
Ivory.
Jute.
Wool, raw and washed
Flax.
Indian corn.
Nitrate of soda.
Lead.
Rice.
Stearin.
Sugar.
Fats and oils.
Leaf tobacco.
Tea.
Zinc.

The discount of warrants involving other merchandise must be the subject of special arrangement.

[a] Résumé des Opérations Effectuées par la Banque, pp. 30, 31.

ADVANCES ON PUBLIC FUNDS.

Loans upon public funds by the National Bank are carefully restricted in amount and duration. It is provided by Article VIII of the existing charter that among the operations of the Bank may be "making advances on current account or for short terms upon the deposit of national public securities or other securities guaranteed by the State, within limits and conditions to be determined periodically by the administration of the Bank, jointly with the council of censors, with the approval of the Minister of Finance."

Such loans can be made to solvent persons only and for a term not less than ten days nor exceeding four months. Securities will not be accepted for more than four-fifths of their market value and may be sold on the Bourse if the loans are not repaid at maturity. No more than one renewal is permitted, unless by special authority given by the council of administration. Loans for more than ten days may be paid before maturity, with remission of interest for all but two days of the time for which they have yet to run. The amount and the rate of loans to be made upon the deposit of public funds is required to be fixed each week.[a]

It is to be noted that not only are these loans treated as payable at short maturities, like commercial paper, but they are strictly limited to public funds or securities guaranteed by the State. The bonds and stocks of private railway corporations not guaranteed and of manufacturing and industrial corporations are thus rigidly excluded from

[a] Statuts, art. 25

the list of securities accepted at the Bank. Holders of such securities must seek accommodation from the Société Générale or other private and joint-stock banks.

The classes of securities upon which the Bank lends are the Belgian public debt, bonds of the treasury, securities of the annuity bank issued by the State and countersigned by the treasury, and bonds of the National Company of Local Railways. The preferred shares and the bonds of the Antwerp and Ghent Railway Company and the bonds of several other roads, when bearing the indorsement of the treasury, are also included in the list. There has been some discussion in regard to the inclusion of securities of the Company of Communal Credit. These securities have been excluded, however, upon the ground that the intervention of the State in regard to them did not constitute a guarantee in the strict sense of the word, although it might be considered as a quasi guaranty.[a]

Acting under the authority to make loans of this character, the Bank usually has outstanding an amount which, while considerable in itself, has rarely exceeded the combined amount of the capital and reserves and has constituted a very small percentage of total assets. As far back as 1866 the average amount of such loans was 21,131,325 francs ($4,080,000). The amount was somewhat less during the next few years, but the average rose during the troubled year 1873 to 28,768,293 francs, to fall again during the next three years, but after that to remain at a generally higher figure. The highest average attained in the early history of the Bank was in 1883, when the average loans of the year were 96,175,980 francs

[a] Documents Parlementaires: 1900, p. 430.

($18,562,000), of which 80,139,200 francs was lent through the head office at Brussels. The occasion of such large advances was the collapse of the copper corner and the failure of the Union Générale in Paris in 1882. The average of advances declined in 1884 to 53,158,800 francs. The totals of advances upon securities, net balances at the end of the year, and the net earnings of the Bank from this source appear for representative years in the recent history of the Bank in the following table:

Advances upon public securities.

Year.	Total advances.	Outstanding Dec. 31.	Net earnings.
	Francs.	*Francs.*	*Francs.*
1892	41,531,450	8,599,400	233,895
1897	74,824,100	21,784,200	469,816
1898	113,628,600	34,150,000	647,558
1899	236,573,348	60,072,804	1,513,204
1900	246,311,031	58,373,083	1,836,571
1901	189,342,551	55,270,662	1,666,171
1902	166,956,635	42,200,825	1,470,131
1903	159,166,637	34,015,830	927,234
1904	171,651,920	32,208,486	962,975
1905	199,575,316	38,011,413	908,727
1906	251,132,467	48,766,437	1,214,098
1907	348,754,247	61,716,731	1,972,206
1908	328,511,148	51,419,120	1,771,385

It is only from the year 1900 that a separation has been made in the published reports between direct loans on the pledge of public funds and advances on current account secured by the deposit of such securities. It is only within a few years that loans of the latter class were made at the provincial agencies.[a] The proportion of this class of advances has risen considerably since this

[a] Ulens, Les Banques d'Émission, p. 394.

change and was especially heavy during the pressure of 1907. Indeed, under both classifications the figures seem to indicate a disposition on the part of the financial community to avail itself to the utmost, in periods of monetary pressure, of the facilities granted by the National Bank for obtaining credit upon fixed forms of capital, restricted as those facilities are by the statutes and the policy of the Bank. The amount and the balances of the two classes of loans is shown for representative years in the following table:

Character of advances on securities.

Year.	Direct loans.		Advances in current account.	
	Total during year.	Balance, Dec. 31.	Total during year.	Balance Dec. 31.
	Francs.	*Francs.*	*Francs.*	*Francs.*
1900	206,123,100	40,196,100	40,187,931	18,176,983
1902	116,828,250	26,995,100	50,128,385	15,205,725
1904	82,874,200	17,280,000	88,777,720	14,928,486
1905	79,022,600	21,532,300	120,552,716	16,479,113
1906	97,854,400	27,981,700	153,278,067	20,784,737
1907	166,626,400	35,719,900	182,127,847	25,996,831
1908	152,416,900	23,264,400	176,094,248	28,154,720

Loans on securities to borrowers who are not merchants are required to be registered at the cost of the borrower at the rate of three-tenths of 1 per cent of the amount lent. The distinction between those who are merchants and those who are not is based upon the terms of a law of May 5, 1872, which provides that "the pledge given as security for a commercial engagement confers on the creditor the right of securing payment from the thing pledged in preference to other creditors, when such right

is established in conformity with the methods admissible in commercial matters for the sale of articles of the same nature and when the object of the pledge has been placed and remains in the possession of the creditor or of a third person agreed upon between the parties." By the terms of article 2074 of the Civil Code, which affects those who are not merchants, the privilege of payment from the proceeds of a pledge exists only where there is a public act or an act under private seal duly registered, setting forth the sum due and the character and the nature of the articles given in pledge, or a statement annexed of their quality, weight, and measure.[a]

LOSSES AND REJECTED PAPER.

In response to a question submitted to the Government at the time of the renewal of the charter in 1900 it was admitted that "the National Bank, like every other financial establishment, is exposed to losses." The amount of these losses, however, as set forth in detail from 1873 to 1898, were small in comparison with the entire volume of discounts. Tables were submitted for each half year, showing the commercial paper which was then in default and also property which had been taken as security for loans which had not been paid at maturity. Figures quoted by Professor Denis from the documents of 1872 showed that for the twenty years ending with 1871 the total amount of paper in default was 1,188,518 francs ($230,000), and of this amount 361,768 francs had ultimately been paid.[b]

[a] Documents Parlementaires: 1900, p. 432. [b] Ibid., p. 84.

Taking up the twenty-six years from 1872 to 1897 Professor Denis stated that the total amount of paper unpaid was 5,758,659 francs ($1,111,000), upon which 896,601 francs ($173,000) had ultimately been paid. The net loss, therefore, was 4,862,058 francs ($938,000), or an average of about $36,100 per year. Comparing this with the enormous volume of paper discounted during the period, which was 56,944,804,715 francs ($10,990,000,000), the proportion of loss worked out at nine one-thousandths of a centime to 100 francs (0.009 per cent). Similar figures for the Bank of France during the period from 1870 to 1890, which comprised a period of war, showed a total loss of 34,730,000 francs in total transactions of 175,000,000,000, making the loss 1.9 centimes per 100 francs.[a]

In response to another question as to what securities composed the item in the accounts, "Securities guaranteed or to be realized," a full explanation was given of the acquisition of certain amounts of landed property under foreclosure. The first year in which this item appeared in the balance sheet was in 1881, as the result of the default of a loan in Brussels, where some property was taken on the Boulevard Leopold II. It was felt to be improper under the law to carry the value of this property in ordinary assets. The administrative council decided, therefore, to open a new item in the balance sheet entitled "Securities guaranteed or to be realized." To this account was transferred all real property acquired to secure the bank against loss. All forms of slow assets were eventually carried to this account.[b]

[a] Documents Parlementaires: 1900, p. 82. [b] Ibid., p. 185.

The annual reports of the Bank set forth regularly the commercial paper rejected when submitted for discount. The policy of the Bank in regard to loans is so well understood that the amounts rejected are not usually large. The following table gives the number and amount of such cases for representative years:

Commercial paper rejected.

Year.	Pieces.	Total amount.	Amount at Brussels.
	Francs.	*Francs.*	*Francs.*
1892	3,040	3,809,455	1,874,443
1897	3,260	3,060,179	1,802,663
1900	3,412	3,753,554	2,723,521
1904	1,893	2,395,329	1,358,522
1905	2,132	2,641,577	1,571,851
1906	2,653	2,640,480	1,407,592
1907	2,578	2,603,541	1,567,397
1908	2,028	2,014,044	1,085,604

DISCOUNT POLICY OF THE NATIONAL BANK.

The National Bank of Belgium has followed a policy in fixing the rate of discount which has conformed in a measure to the English policy of changing the rate with changes of condition, but has leaned in some degree toward the French policy of keeping the rate uniform, except under the pressure of great necessity. In other words, the policy pursued has been midway between that of the two great institutions named. This is apparent from the table given by Mr. Palgrave, showing the variations in the rate of discount at five principal European banks from 1844 to 1900, the figures for Belgium cover-

ing only the period since the creation of the National Bank in 1850. The table is as follows:[a]

Number of variations in rate of discount.

	Bank of—				
	England	France	Germany.	Holland.	Belgium.
1891 to 1900	55	9	36	23	13
Total variations from 1844 to 1900	400	111	116	173	173

The average rate which has prevailed at the National Bank of Belgium has not been high. It was calculated as having averaged from 1873 to 1899 3.33 per cent. The average since that date has ranged somewhat higher, as the result of the more stringent conditions in the money market which followed the war in South Africa. The highest annual rate attained in the history of the Bank was during the panic of 1873, when the average was 5.06 per cent. The next highest rate, prior to the crisis of 1907, was 4.42 per cent, in 1882, when the crash of the Union Générale in Paris caused disturbances throughout Europe. An average rate of 2.80 per cent was touched in 1886 and of 2.70 per cent in 1892, after the prevalence of higher rates in the intervening years. Low rates were again touched during the years just preceding the discussion over the renewal of the charter in 1899, the average of 1893 having been 2.83 per cent; of 1894, 3 per cent; of 1895, 2.60 per cent; of 1896, 2.84 per cent; of 1897, 3 per cent; and of 1898, 3.04 per cent.[b]

[a] Palgrave, Bank Rate and the Money Market, p. 210.

[b] Documents Parlementaires: 1900, p. 414.

The record of changes in the discount rate during the past ten years is shown in the table below. It indicates that a rate of great steadiness was maintained from 1901 to 1905, but that Belgium, like other countries, felt the influence of the monetary pressure which became acute in 1906. The year 1907 opened with a discount rate at the National Bank of 4 per cent, which was advanced on March 18 to 5 per cent; on November 2 to 5½ per cent; and within six days, on November 8, to 6 per cent. Even under this pressure the censors were able to affirm that "the resolutions of the council of administration have been as moderate as possible and the rates of discount in Belgium have remained below those in force in England and Germany."[a] The year 1908 witnessed the reflex influence of the panic. The rate of discount was from 6 per cent progressively reduced on January 14, to 5 per cent; February 17, to 4½ per cent; March 30, to 3½ per cent; and on July 13, to 3 per cent, where it stood during the remainder of the year and far into the year 1909.

The average rate of discount, as given in the official reports and in the table below, is based upon the term for which each rate runs, and not necessarily upon the amount of paper discounted. The rate used is a minimum rate upon the ordinary discounts, as in the case of other European banks of issue. The table showing the changes during the last eleven years is as follows:

[a] Rapport: 1908, p. 30.

Changes in discount rate, 1899–1908.

Year	Rate.			Changes.	Average rate.
	Maximum.	Minimum.	Closing.		
	Per cent.	*Per cent.*	*Per cent.*		*Per cent.*
1898	4	3	4	1	3.04
1899	5	3½	5	6	3.92
1900	5	4	4	2	4.09
1901	4	3	3	2	3.28
1902	3	3	3	--------	3.00
1903	4	3	3	3	3.17
1904	3	3	3	--------	3.00
1905	4	3	4	1	3.17
1906	4½	3½	4	3	3.84
1907	6	4	6	3	4.95
1908	6	3	3	5	3.56

An indication of the moderation of the rates charged by the National Bank is afforded by the fact that between 1851 and 1900, inclusive, the rate of discount was at 3 per cent or less during 10,623 days out of the 18,262 days which elapsed. This represents 58 per cent of the time involved, while rates equally low prevailed at the Bank of England only in 55 per cent of the whole number of days; at the Bank of France in 49 per cent; at the Imperial Bank of Germany in 12 per cent; and at the Bank of the Netherlands in 61 per cent. For the whole period of 18,262 days dealt with up to the close of 1900, the rate was at 3 per cent or less for 10,623 days; from 3½ to 5 per cent for 6,767 days; and from 5½ up to 7 per cent for 872 days, or 5 per cent of the entire period.[a]

The relative stability of the discount rate at the National Bank of Belgium is attributed in the Senate report in a certain measure to the farsighted and wise management

[a] Palgrave, p. 186.

of the bank, whose administration has sought to avoid as much as possible injurious shocks, but which could not escape the preponderating influence of the market for capital and the course of business between nations.[a] A more critical attitude, however, was taken in 1900 by Professor Denis, the leader of the Socialist minority in the chambers. He pointed out that, from 1852 to 1872, average rates of discount at the National Bank of Belgium ranged considerably lower than the official rates in France, England, and the Netherlands, but that this advantage disappeared in the period 1873–1898, and especially during the latter portion of this period. A summary of his figures is as follows:[b]

Rates of discount at various banks.

Period.	Bank of France.	Bank of England.	Bank of the Netherlands.	National Bank of Belgium.
	Per cent.	*Per cent.*	*Per cent.*	*Per cent.*
1852–1872	4.17	4.09	3.81	3.49
1873–1898	3.30	3.19	3.12	3.31
1895–1898	2.07	2.61	2.88	2.87

The figures for the latter period, Professor Denis declared, represented a nearly complete revolution as compared with the earlier, which he attributed in a measure to the substitution of foreign bills for gold in the reserves. We shall see, however, in discussing the subject of the premium on exchange and the drain of coin from Belgium, that the discount rates of recent years have been subjected to serious criticism from a very different point of view from that of Professor Denis, as being too low, instead of too

[a] Documents Parlementaires: 1900, p. 411. [b] Ibid., p. 283.

high. The comparative rates for later years have been as follows:[a]

Average rates of discount since 1898.

Year.	Bank of France.	Bank of England.	Bank of Germany.	Bank of the Netherlands.	National Bank of Belgium.
	Per cent.	*Per cent.*	*Per cent.*	*Per cent.*	*Per cent.*
1899	3.06	3.75	4.98	3.85	3.91
1900	3.23	3.96	5.33	3.60	4.09
1901	3.00	3.72	4.10	3.23	3.28
1902	3.00	3.33	3.32	3.00	3.00
1903	3.00	3.75	3.84	3.40	3.17
1904	3.00	3.30	4.22	3.24	3.00
1905	3.00	3.00	3.81	2.68	3.17
1906	3.00	4.27	5.00	4.00	3.84
1907	3.47	4.93	6.03	5.10	4.95
1908	3.04	3.00	4.76	3.38	3.56

THE GRATUITOUS ISSUE OF DRAFTS.

One of the methods which was early adopted by the National Bank to facilitate the transfer of credit was the issue of drafts upon its branches. Such a draft is known as an accréditif and is in the nature of an order issued at any given office of the Bank upon another designated office. Drafts payable within the city where issued are sold only in Brussels. At that point they are payable on the first business day following the date of their issue, and the same rule prevails as to such drafts delivered in the provinces upon Brussels. Those delivered in the provinces upon an agency or upon a branch were until 1908 payable one day later, but in that year were made payable the day after issue.[b] In case of the loss of such a draft a duplicate may be issued fifteen days after the

[a] Bulletin de Statistique, January, 1909, LXV, p 110.
[b] Rapport: 1908, p. 25.

date of its issue under special authorization from the governor of the bank.

These drafts were originally issued only for sums not less than 100 francs ($19.30), but a motion was made during the discussion on the renewal of the charter in 1900 to reduce the denomination to 20 francs ($3.86). This motion was opposed by the government, but the promise was made, and subsequently fulfilled, to reduce the minimum to 50 francs ($9.65).

Prior to the law of June 23, 1873, these drafts were required to be made in favor of a designated person and could not conveniently be transferred by indorsement because of the stamp tax, which assimilated them in such cases to commercial paper. The law of 1873 exempted them from the stamp tax and broadened the scope of their employment. It required a demand for payment within three days of the date of issue if drawn on the same place and within six days when drawn upon another place. The holder who did not demand payment within the legal limit lost his recourse against indorsers. Even prior to the law of 1873, on July 1, 1871, the bank abolished the charge of 25 centimes per 1,000 francs (5 cents per $193) and has since furnished these drafts without charge where they are made payable at an agency. The bank made this concession in the belief that it would be compensated in a measure by saving the charges on the transportation of bank notes by mail and that the latter would remain longer in circulation The accréditif is paid only to the person in whose favor it is drawn or by indorsement, and this indorsement can not be replaced by a letter of advice.[a]

[a] Noel, I. pp. 530–531.

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While it is declared by M. Pierre des Essars that "the Bank is thus called upon to perform gratuitously all transfers of money for the whole country,"[a] the number of such drafts dealt in has not approached the volume of redemptions of bank notes. The growth in their use was slow prior to the abolition of the stamp tax in 1873, but was more rapid after that date. The following table gives for representative years the tendency in this regard:

Accréditifs sold.

Year.	Number.	Amount.
		Francs.
1863	4,894	13,227,354
1870	16,988	54,335,106
1872	63,179	314,358,816
1873	92,300	498,100,000
1875	129,991	562,107,138
1880	199,113	705,021,527
1885	249,450	742,403,592
1890	286,119	921,300,000
1895	324,346	1,022,608,588
1900	413,735	1,450,250,102
1905	508,034	1,488,588,697
1906	535,451	1,634,527,879
1907	552,345	1,675,832,751
1908	567,201	1,645,063,717

It was suggested by M. des Essars that the facility given by these drafts for the transfer of money without cost tends to encourage the transfer of coin out of Belgium. How this tendency works is thus set forth:[b]

"When a Belgian debt is due in France the debtor draws an order at some agency payable at Tournay or Courtrai (frontier places in Belgium). There coin is asked for and forwarded to the branch of the Bank of

[a] A History of Banking in all the Leading Nations, III, p. 276

[b] Ibid., p. 277.

France at Roubaix or Tourcoing. The transfer charge is very light, so that money leaves Belgium when the exchange is but 2 per 1,000, under the circumstances explained. The rate would have to reach 4 to 5 per 1,000 to make it a matter of advantage to transfer actual coin instead of using orders. Belgium is thus more exposed than any other country to a drainage of coin."

This subject of the exchange between Belgium and other countries is an intricate one, however, into which many other factors enter than the movement of drafts, and is discussed elsewhere in this report.

MOVEMENTS OF THE CIRCULATION.

The circulation of the National Bank of Belgium has proved very flexible, in spite of the absence of any special restrictions upon note issues. The net circulation of currency has tended to expand in Belgium, as in other countries, by reason of the expansion of business and by reason of the rise in prices, demanding a larger volume of the medium of exchange. There has been a tendency also toward the substitution of notes for coin in the hands of the public, because notes are less cumbersome and more convenient than the heavy silver coins. The issue of notes of the denomination of 20 francs ($3.86) has naturally tended to substitute paper for coin down to that denomination.

The progression in the total circulation has been much more rapid than in the population. The latter increased from 4,827,833 souls in 1866 to 6,693,548 in 1900, and in 1907 was estimated at about 7,200,000. On the part of the circulation, from 1870, when the average was 187,392,000 francs ($36,173,000), there was an increase in

1873 to 332,480,410 francs ($64,170,000). The increase was less rapid from this date to 1888, when the average was 361,030,000 francs. The period of commercial expansion which followed led to the movement of the average upward in 1900 to 576,485,510 francs, and there was a further advance during the next eight years which carried the average for 1908 to 753,079,970 francs ($145,350,000).

The degree of elasticity in the circulation is indicated partly by the variations at different periods of the year and partly by the amount of notes canceled and retired during the year. The range of variation is not so great as in some other countries, because of the essentially manufacturing character of the industries of Belgium and the comparatively minor part played, therefore, by agricultural operations. The difference between the circulation on December 31, however, when it is near its maximum, and the average for the year is in itself considerable, without taking account of the wider variations indicated by the difference between the minimum and the maximum points of the year. Thus, in 1908, notes in circulation on December 31 were 806,878,060 francs, while the average for the year was 753,079,970 francs. The difference in 1906 was greater, the circulation at the close of the year having been 770,423,340 francs and the average for the year 702,363,760 francs.

Comparison of the minimum and maximum circulation for different years shows variations usually ranging about 10 per cent. The period of maximum circulation is almost invariably at the turn of the year, sometimes occurring late in December and sometimes continuing into the first weeks of January before the reflex movement is felt. There is a general tendency downward from January to

midsummer, which is halted from time to time by the demand for currency at the end of each quarter and on other special occasions. The latter part of March and the early days of April mark the logical period of minimum circulation, but the state of comparative equilibrium, which extends from these dates to midsummer, is occasionally marked by a decline slightly below the average of the spring. The table which appears below, showing the variations between maximum and minimum circulation during the past ten years, illustrates the character of these movements. The figures presented are for complete weeks, ending in some cases a few days before December 31, which explains the apparent discrepancy in one or two cases with the later table, where the circulation of December 31 reached above the maximum shown for the official banking year. In some cases the demand for circulation has risen higher during the autumn than at the close of the year, but upon the whole, as the table indicates, the maximum is attained near the end of the year and the minimum during the spring and summer.

Variations in the circulation.

Year.	Maximum.		Minimum.		Average.
	Date.	Amount.	Date.	Amount.	Amount.
		Francs.		*Francs.*	*Francs.*
1899	Nov. 30	568,500,000	Mar. 9	511,700,000	538,076,400
1900	Oct. 31	597,900,000	June 21	553,800,000	576,483,510
1901	Jan. 31	623,500,000	Sept. 5	567,200,000	599,265,950
1902	Dec. 30	672,600,000	June 19	596,300,000	621,568,640
1903	Jan. 15	650,500,000	June 18	605,000,000	636,760,360
1904	Dec. 29	668,700,000	June 23	615,100,000	645,989,100
1905	Nov. 2	693,300,000	Mar. 23	643,700,000	676,841,990
1906	Oct. 31	736,500,000	Apr. 19	670,900,000	702,363,760
1907	Oct. 21	770,600,000	Apr. 4	706,600,000	743,404,700
1908	Dec. 30	800,200,000	June 18	711,700,000	753,079,970

The denominations of the notes issued by the National Bank were fixed in the beginning and have not since been altered. They are five in number—for 20 francs, 50 francs, 100 francs, 500 francs, and 1,000 francs. Neither the law nor the regulations of the Government specify the proportion of any one denomination to be issued or kept in circulation. Figures of the different denominations are available only from 1870, when the total circulation of notes was 187,392,000 francs. The changes from year to year after the use of the different denominations was fairly established, about 1877, show the largest increase in notes for 20 francs ($3.86) and notes for 100 francs ($19.30). The demand for notes of 1,000 francs, while varying somewhat from year to year, has upon the whole shown no great increase, even with growth in the volume of business. The following table shows the average value for each denomination outstanding for representative years:

Average of note issues by denomination.

[In thousands of francs.]

Year.	1,000 francs.	500 francs.	100 francs.	50 francs.	20 francs.
1870	80,367.0	18,501.0	65,782.0	7,298.0	15,444.0
1873	150,030.0	23,523.0	120,766.9	3,189.7	34,970.2
1875	123,034.0	18,486.0	137,438.7	1,498.1	43,109.4
1880	128,285.0	23,254.5	124,271.2	22,953.1	14,860.7
1885	114,887.0	16,822.5	160,109.9	27,438.6	27,120.8
1890	121,788.0	21,906.0	171,487.3	29,337.2	37,791.2
1895	123,749.0	25,898.5	201,301.8	34,384.7	52,079.1
1900	168,446.0	32,599.5	240,253.6	47,649.2	87,535.1
1905	184,871.0	37,398.5	275,903.9	61,242.2	117,426.3
1906	196,167.0	40,951.5	260,826.7	71,359.9	133,058.6
1907	197,987.0	40,845.0	289,324.3	71,621.7	143,626.7
1908	160,267.0	72,146.0	297,698.0	73,608.6	149,360.3

Notes retired during the year have varied in amount according to business conditions. The maximum pro-

portion of such retirements was in 1886, when they amounted to 306,790,000 francs in an average circulation of 355,893,606 francs, or about 85 per cent. The average cancellations, however, are much below this amount, having been in 1907 366,120,500 francs, or 49 per cent of the average circulation. The cancellations of 1908 were 508,491,400 francs, or 67 per cent of the average circulation.

One of the most striking features of the circulation during recent years has been the increase in the proportion of notes for 20 francs. Such notes formed in 1873 but little more than 10 per cent of the average circulation. The amount had not increased materially up to the year 1893, when the proportion to the total circulation had declined to about 9 per cent. From that date, however, the increase was rapid and resulted in doubling the amount of these small notes within less than six years and again nearly doubling the amount in the eight years ending with 1907. A view of the movement of circulation, the proportion of notes of 20 francs, and the notes retired for representative years is afforded by the following table:

Movement of the circulation.

Year.	Circulation Dec. 31.	Average circulation during year.	Average notes of 20 francs.	Notes retired during year.
	Francs.	*Francs.*	*Francs.*	*Francs*
1873	320,586,070	332,480,410	34,970,260	109,659,750
1880	339,969,510	313,624,520	14,860,720	205,700,000
1885	367,423,810	346,378,860	27,120,860	301,250,000
1890	404,721,600	382,309,680	37,791,180	221,540,000
1895	476,502,020	450,413,100	52,079,100	145,320,000
1900	631,631,800	576,483,510	87,535,160	330,320,000
1905	724,082,140	676,841,990	117,426,340	405,500,000
1906	770,423,340	702,363,760	133,058,660	643,250,000
1907	798,167,760	743,404,700	143,626,700	366,120,500
1908	806,878,060	753,079,970	149,360,320	508,491,400

REGULATION OF THE NOTE CIRCULATION.

The circumstances under which the National Bank of Belgium was created gave a distinctive character to the provisions regarding the security for the issue of notes. The original charter of 1850 contained these provisions in regard to the notes themselves:

"ARTICLE XII.

"The bank may issue notes payable to bearer. The amount in circulation shall be represented by securities which can be easily converted into cash.

"The proportion between the cash reserve and the notes in circulation shall be fixed by the statutes.

"ARTICLE XIII.

"The Government, by agreement with the Bank, shall determine the form of the notes, the method of their issue, and the amount of each denomination."

No changes were made in these provisions by subsequent amendments of the charter, except that in 1900 the notes were required in future to be printed in both the languages of the country (French and Flemish), and provision was made for paying into the public Treasury the amount of old issues of notes prior to 1869 which had not been presented for redemption.

The original charter of the Bank made the redemption of notes obligatory only at the head office at Brussels; but in 1872 this obligation was extended to the agencies, with the proviso that payment might be deferred until there had been time to receive the necessary funds from the head office. The notes were made receivable for

public dues from the beginning, but it was not until 1873 that they were declared legal tender between individuals so long as they continued to be redeemed in legal coin. This privilege was accorded by a special law of June 20, 1873, which also provided, however, that the legal-tender quality should cease whenever the Government should cease to receive the notes at public offices.[a]

The Belgian law imposes no limit upon the amount of notes which may be issued by the National Bank. It was declared by M. Malou in 1872 that "the credit circulation is not extended or restricted arbitrarily at the will of institutions of credit; its necessary limits are the requirements for transactions and the movement of business."[b]

The law required that there should be a relationship established between the metallic stock and the circulation, but left to the statutes of the Bank, as determined upon by the Government, the decision of what this relationship should be. The proportion is fixed by Article XXXIV of the present statutes at one-third of the amount of notes and other obligations payable at sight, but it is provided that the cash reserve may be allowed to go below this minimum under circumstances and limits to be authorized by the Minister of Finance. It was declared when the law was framed in 1850 that the exact proportion of the reserve held against notes could not be determined according to any fixed rule, but must depend upon time, circumstances, and perhaps also the state of public feeling. For this reason the matter was left to the Government and the Bank. Experience, it was declared in the report of M. Delbeke in 1899, had proved the wisdom of this solu-

[a] Documents Parlementaires: 1900, p. 480.
[b] Ibid., p. 471.

tion. It was more and more agreed by modern experience that any such limit should be conceived in such a manner as to leave the bank with hands sufficiently free to meet successfully a period of crisis. Upon this question of a fixed proportion of reserve the report of M. Delbeke quoted from an article by Professor Helfferich in the "Revue Politique et Parlementaire" of January 10, 1899, the following:[a]

"Requirements of this sort should not establish a rule for the government of the Bank in periods of calm. If the government of the Bank does not do in normal times considerably more than is required by the provisions of the law, it will not be able in difficult times, when the tiller escapes from its hands, to keep within the limits of legal requirements, and even for a competent management there is danger of being compelled to exceed the legal limits because of a violent and sudden crisis. It is at such moments that a central bank becomes indispensable to safeguard the economic interests of the country and that it becomes obligatory to suspend the banking law.

"Of this the suspension, authorized on three occasions, of the restrictive clause contained in the English bank act affords a classic example. But suspensions of this sort, imposed by necessity, never take place without provoking in a certain measure a movement having the character of a panic. If a bank approaches the limit at which it ought to suspend its issue of bills, the fact produces, as has been seen in England, a run upon the Bank—not to obtain the redemption of bills, but to obtain the discount of paper—for everyone fears the arrival of the moment

[a] Documents Parlementaires: 1900, p. 151.

when the Bank will no longer be able to issue bills nor in consequence to grant discounts. The imposition by law of a maximum figure for the issue of bills not covered by the metallic reserve, and of a minimum of metallic reserve for covering the bills, represents then a limit imposed upon the elasticity of the Bank and a limit which, instead of preventing a crisis, is rather of a nature to provoke and aggravate it."

The regulations imposed at the National Bank of Belgium to secure the safety of the notes and to prevent thefts and fraudulent overissues are similar to those in other large banks. The special paper required for the notes is carefully recorded and is guarded in a safe with two keys. The comptroller delivers to the chief of the printing office the paper necessary for the time being, where also it is kept under double keys. After printing, the notes which have been spoiled as well as those properly printed are remitted to the comptroller of notes. Those spoiled are marked before delivery with the word "fauté" (spoiled) and are perforated. These spoiled notes are carefully verified and destroyed at the end of every six months.

The comptroller of notes is charged with numbering and affixing the seal upon the notes. Every issue under a given letter of the alphabet is inscribed in a register containing the following information:

The number in the order of the alphabet.

The date of manufacture.

The date of issue.

The names of the signers.

The letter of the series.

The number in this series.

The date of destruction.

Verifications are made in the case of the special paper every six months, or oftener if judged necessary by the administration of the Bank. The verification is made by the governor or a director delegated by the council, with the assistance of the director charged with the supervision of the note service. Notes at the printing office and at the sealing office are verified at least once a month by the director of the note service, assisted by the comptroller. The notes to be issued are verified at least once every six months by the director of the service and the treasurer. A report is made at the end of each month, showing the status of the special paper, notes in course of printing, and those actually printed.

Notes which have become unsuitable for circulation are withdrawn by the central reserve agency. They are punched with the word "annulé" (cancelled), with the date of their retirement. These notes are also remitted to the office of note issue, which records the number, verifies them, classifies them, and proceeds to their cancellation in the records already described. When the council orders the destruction of canceled notes, the operation is effected under the supervision of two directors designated by it, in the presence of three delegates of the grade of at least chief of bureau. The council determines at the same time the method of destruction.[a]

One of the new provisions of the law of 1900 directed the bank to pay into the public treasury within one month the face value of notes belonging to issues prior to the year

[a] Lois Organiques: Statuts, 1907, pp. 95–100

1869 which were still outstanding. It was also provided that whenever a given type of note was replaced or suppressed, the bank should make a similar payment into the treasury at the expiration of a date to be fixed in each case by agreement, and that this provision should be immediately applicable to notes for 20 francs of types previous to that authorized in 1897. The amount of these old notes was to be deducted from the reported amount of the circulation, and when any of them were redeemed the amount thus disbursed was to be charged to the account of the treasury.

The report of the Minister of Finance upon this subject is interesting, because it presents figures of the amount of old notes of issues prior to 1869, which were outstanding on December 31, 1897.[a] These issues dated back as far as 1851 and included notes issued in 1851, 1852, 1853, 1856, 1862, 1863, and 1865. In every case, except the original issues of 1851, the notes still outstanding were of only one denomination. The total face value of all such issues was only 1,025,500 francs ($198,000) and, curiously enough, was made up in part of 353 notes for 1,000 francs (353,000 francs) of the issue of 1853, which would appear to represent the loss of a considerable amount in these notes at one time. The loss of such large notes may be considered more exceptional than that of notes of 20 francs, of which 8,259 notes, representing a value of 165,180 francs ($32,000) of the issue of 1851, were still outstanding. If this amount is divided by the period of forty-seven years which elapsed between 1851 and the close of 1897, the average annual loss on the issue would

[a] Documents Parlementaires: 1900, p. 23.

stand at about 3,500 francs ($700) per year, and would indicate how small is the ultimate loss even on notes of small denominations.

FOREIGN BILLS IN THE RESERVE.

The National Bank of Belgium was allowed, from an early date, to count as part of its reserve first-class foreign bills which were guaranteed by banking houses in Belgium. The proportion of the reserve made up of such bills tended to increase until they came to constitute, just before the renewal of the charter in 1900, about 25 per cent of the total computed reserve. This fact was made a subject of some criticism by Professor Denis in his report in favor of a special inquiry into the management of the Bank. He declared that the foreign portfolio, at first rare and variable, had become constant and increasing; that from 6 per cent of the total discounts from 1872 to 1876, it had increased to 25 per cent from 1893 to 1897. In concluding his discussion of this subject, he declared:[a]

"The fluid equilibrium of our reserve seems to be a problem more and more complex, in which the anticipation of the extent of the ultimate demand for specie and the certainty of realizing the securities held are bound up with the aggregate of the conditions of the international market, with the distribution of the paper between different places, with causes which may affect foreign cash reserves, and even with the question of the standards. Does this constitute a financial system without peril? On the other hand, what are the measures which would

[a] Documents Parlementaires: 1900, p. 66.

permit escape from this instability, from this international lack of unity?"

In meeting this criticism M. Delbeke examined the subject from the three points of view, whether the holding of foreign bills was equivalent in fact to a metallic reserve; if they could constitute a danger to the Bank; and if there was occasion to exclude them from the calculation of the proportion between the reserve and the circulation of notes. M. Delbeke declared that the facts submitted by the Government established the genuine benefits, not to say the absolute necessity, of the practice which the Bank had long pursued on the subject of these foreign bills. He emphasized the solidity of the limited number of firms whose signatures were accepted, such firms being limited to indorsing over to the Bank the paper of third parties. He then quoted from the agreement between these firms and the Bank, to the effect that the firms bound themselves to rediscount at any time paper clothed with their indorsement, at a rate which should not be higher than the official rate of the central bank of the country from which the paper emanated, and should protect the National Bank, according to its instructions, either in bills of exchange at market quotations or in gold coin or bullion, except in case of superior force. The National Bank engaged itself not to abuse this option of rediscount and not to demand securities for a sum exceeding 6,000,000 to 8,000,000 francs per week.

The utility of the holdings of foreign bills in emergency has been several times demonstrated in a striking manner. At the outbreak of the crisis which followed the declaration of war between France and Germany, the

National Bank had on July 21 foreign paper to the amount of 64,144,255 francs ($12,370,000). This paper was employed so generously to obtain gold that the amount on hand was reduced by the end of July to 7,227,300 francs and on August 20 to 3,531,900 francs. The product of the sale or payment of the bills had been converted into bars of gold and silver.

On another occasion, at the time when the subject of the renewal of the charter was pending in November, 1898, the National Bank was able to maintain a discount rate of 3 per cent, when the official rate stood in Berlin at 6 per cent, in Vienna at 5 per cent, and in London at 4 per cent. The position of the Bank of Belgium was maintained by realizing a part of its holdings of foreign paper, which reduced the amount from 122,800,000 francs to 98,400,000 francs. The position taken by the supporters of the Bank in this matter is taken also by Mr. Inglis Palgrave in the following language:[a]

"The Bank has been enabled to carry on its operations with this comparatively small bullion reserve through its skill in discounting, and through the power of regulating the foreign exchanges which it possesses by means of the quantity of foreign paper which it holds. In the balance sheet of December 31, 1901 (p. 207), the bills discounted stood at £19,100,000; of this sum the foreign bills held amounted to £6,500,000. Through holding these drafts on other countries the council of the Bank has the means of operating in any direction when the exchanges are unfavorable to Belgium. The moderate rates of discount

[a] Bank Rate and the Money Market, p. 184.

charged and the comparatively small range of fluctuation show how carefully, especially of late years, the Bank of Belgium has maintained this power. Roughly speaking, one-fifth part of the bills it has dealt with during the last twenty years have been on foreign countries."

Mr. Palgrave presents the following comparison for representative years of the relation of foreign bills to total operations in discount:

Domestic and foreign discounts.

Year.	On Belgium.	On foreign countries.	Total.
	Francs.	*Francs.*	*Francs.*
1851	81,200,000	104,800,000	186,000,000
1860	729,400,000	28,000,000	757,400,000
1870	1,205,000,000	131,800,000	1,336,800,000
1880	1,647,000,000	347,600,000	1,994,600,000
1890	1,958,600,000	396,900,000	2,355,500,000
1900	2,749,700,000	693,200,000	3,442,900,000
1901	2,551,425,000	819,400,000	3,370,825,000

Referring to the experience of various critical occasions, the report to the Senate by the Chevalier Descamps declared that a skillful division of foreign bill holdings between a certain number of countries wisely chosen was of a nature to provide against circumstances which might offset in a manner the realization of such holdings or paralyze its effects. Summing up the benefits of the system, M. Descamps said: [a]

"The moderate and skillful use of the foreign bill holdings as a sort of supplement to the metallic stock does not seem to be compromising, and from a multiplicity of viewpoints is even an advantage. It may tend to give to the

[a] Documents Parlementaires: 1900, p. 475.

reserve an elasticity superior to mere rigidity of proportions, which is neither scientifically justified nor practically protective in an absolute manner. But naturally the question involved here is to guard against being drawn too far, which might produce a famine of money. It must always be recalled that a general equivalence is not an absolute identity, and that in the long run, to use an old comparison, it is always preferable to keep one's self in a large measure on the firm ground of gold and silver rather than to fly upon the wings of foreign paper."

One of the points raised against a reserve kept in foreign bills was the possible suspension of the metallic standard in case of war by one of the countries on which such paper might be drawn. It was declared by M. Delbeke, however, in his report to the Chambers, that there was no reason for such apprehensions, in view of the precautions which were taken by the Bank in regard to its foreign debtors and which found expression in the clause which has been already quoted, compelling the indorser to rediscount or cover the paper on the first demand. In fact, it was added, the paper in circulation at any given time was based upon the monetary standard of that time and could not be affected by measures which might be taken at a later date in the debtor country.[a]

The practical operation of the reserve of foreign bills was discussed by the Government in replying to a series of questions submitted by the central committee of the lower house, pending the revision of the charter in 1900. The questions asked on this head were as to the paper of this sort which was actually included in the assets of

[a] Documents Parlementaires: 1900, p. 149

the bank, as to the average rate of return and as to the average maturity. The reply to these questions was as follows:[a]

"The drafts which are included in the foreign portfolio are securities of the first order, protected, moreover, by the indorsement of banking houses chosen among the most important of Paris, London, Berlin, Amsterdam, Hamburg, Cologne, Frankfort, and Vienna.

"At no time has the bank suffered the slightest loss upon these securities. The average rate of operations in foreign bills was during the year 1898, 2.79 per cent, with an average maturity of forty-nine days; in 1897, 2.53 per cent, with an average maturity of forty-seven days; in 1906, 2.51 per cent, with an average maturity of forty-eight days.

"It is important to note that the rates earned by operations with the foreign portfolio are not collected in a permanent manner. Thus, in the course of the year 1898 the Bank on different occasions suspended the credits extended to foreign correspondents, with the object of having in its own hands for the moment coin to replenish its reserve, which was vigorously attacked during the period when discount had mounted to 6 per cent at Berlin and to 4 per cent in London and when exchange on Paris had risen to 3½ in the 1,000 (0.35 per cent).

"During several weeks correspondents at Paris with whom the bank had conducted transfer operations upon London, Berlin, and Hamburg made shipments of specie. The Bank thus received 38,000,000 francs in 5-franc pieces. This combination of measures permitted the Bank to

[a] Documents Parlementaires: 1900, p. 187.

maintain during almost the entire year rates of discount which were very moderate and to avoid the necessity of raising them, except during a very short period."

THE QUESTION OF MONOPOLY OF NOTE ISSUE.

The question whether the National Bank possesses a monopoly of the power of issuing notes is to a large extent an academic one. It is admitted on all sides that monopoly practically exists, but there is sufficient vagueness in the law to leave open the possibility of competition, if approved by the chambers. It was frankly declared in the report in favor of the government measure submitted to the Chamber of Deputies on March 16, 1872, by M. Pirmez, that "in fact we have in Belgium the system of a single bank of issue." "In law, however," he went on to declare, "the liberty of creating banks of issue exists for individuals, for societies with a collective name, and for societies with silent partners (en commandite simple); it does not exist for joint-stock companies and stock companies with silent partners."[a]

Whether a company organized by shares had rights under the general law to issue notes was briefly discussed, but it was pointed out that a regular corporation with limited liability could be created only by law, and that, in consequence, the right of creating banks of issue could be refused without infringing any existing rights. The

[a] Documents Officiels: 1872, p. 47. It is hardly necessary to go here into the different forms of partnership and corporate liability recognized by the law of Belgium and other continental countries. It may be proper to set forth, however, that companies organized en commandite are partnerships where the active partners are liable without restriction for the liabilities of the firm, but the partners en commandite are liable only to the amount of capital which they have invested.

contention that the banking system of Scotland represented the successful operation of a system of note issues by corporations, without restriction as to the number of such corporations, was met by the contention that the Scotch banks were not limited liability companies, but that all their shareholders were subject to unlimited liability and that nothing prevented the creation in Belgium of banks of issue under these conditions.[a]

Departing from merely academic interpretation of the power to issue notes under general law, which had not been utilized except by one or two banks existing at the time of the law of 1850, M. Pirmez took up the principles of the banking systems differing from that of a single bank of issue which might possibly be adopted, limiting them to (1) plurality of authorized banks, (2) regulated authority to create banks, (3) unrestricted liberty. He declared that none of these systems would increase the credit circulation, which the National Bank was interested in carrying to the highest possible figure indicated by the presentation of notes for redemption. New currents entering the circulation could not fill the reservoir any higher, but could only vary its contents with a variety of bank bills instead of those of a uniform type. The right of the State to intervene to protect the interests of the public in respect to uniformity, safety, and convenience was set forth as follows:[b]

[a] This unlimited liability of Scotch shareholders was modified as the result of the bank failures of 1879, which imposed heavy losses upon small holders of stock; but the restrictions imposed upon note issues by the act of 1845 might have afforded to M. Pirmez another ground of distinction between the Scotch system and that existing under Belgian law.

[b] Documents Officiels: 1872, p. 52.

"If one adhered to this principle of absolute nonintervention, the State should refrain from controlling the weight and fineness of precious metals; it should suppress lawful money and leave to everyone to satisfy himself of the quality of the gold and silver presented to him; it should cease to concern itself with the system of weights and measures and refrain from regulating those which are used in business. No one will pretend that it ought to act thus, because no compensating advantage could be found in the inextricable complications which would arise from this revolution in the usage of all civilized peoples. There are necessary exceptions to this principle of liberty, and the exceptions should be extended to those matters which by their nature have to be accepted by all—by those who are competent to judge and those who are not—without examination, without hesitation, without even a doubt to delay the conclusion of a transaction. It is thus with the circulation of money; and it should be thus for the same reason with the circulation of credit paper. The Government would fail in its duty if it did not take the necessary precautions that money should be correct in weight and fineness; it would fail equally in its duty if it did not take similar measures that the notes which replace cash should be of indisputable value. It would be absurd to condemn individuals, and especially the least enlightened, to perpetual operations in assaying; it would not be less absurd to demand that the unlettered should take account of the soundness of banks. In this respect it is unity which best attains the object sought. It gives by means of the most efficient control a more absolute safety;

it alone gives to bank notes the stamp of a value which suffers neither comparison nor discussion, but exactly represents the monetary system."

The loophole through which opposition to the existing National Bank might find an opening for a competitive system of note issue is the provision of the law of 1850, creating the National Bank, that "no bank of issue shall be constituted by shares except under the form of a joint-stock company and by virtue of a law." This provision nominally leaves to the Government the right to authorize a new bank in case competition with the National Bank should become advisable. Even in the preliminary reports on the creation of the Bank, however, in 1850, it was declared by M. Frère-Orban, that "the end which it was sought to attain above all was to separate discount and issue from industrial affairs; it was, hence, to establish unity in the circulation of bank bills and to arrive as soon as possible at the convertibility of these bills." In summing up the tendency of discussion and legislation in Belgium, even Professor Denis declared himself a partisan of unity of issues in the following passage from his report, submitted to the chamber:[a]

"It follows from this historical review that, in spite of the persistence of texts, the spirit of the legislature and of the Government tends more and more energetically towards unity of issue, having as a necessary corollary a single bank, and to condemn more decidedly the ultimate corrective influence of limited plurality, as tending itself to engender incalculable evils. All this builds up historical obstacles, which go on accumulating, against the idea of

[a] Documents Parlementaires: 1900, p. 53.

exciting ultimate competition to the existing bank and renders the practical application of it more and more illusory. From this it follows that if the texts are always opposed to the absolute consecration of a monopoly, the monopoly of fact is none the less more solidly and more definitely established."

METHODS OF COLLECTING PAPER.

The collection of commercial bills for very small amounts is accomplished at the National Bank of Belgium through an elaborate organization, as at the Bank of France. It is necessary to employ a considerable force of collectors to make the rounds of the small shops and collect paper which is due by the proprietors. By the terms of Article VIII of the charter, one of the declared objects of the Bank is "to charge itself with the recovery of paper which may be remitted to it by individuals or establishments." In carrying out this function the Bank acts as a sort of central collection agency for other institutions. It was declared in the report of the Chevalier Descamps to the Senate at the time of the renewal of the charter in 1900:[a]

"The presentation to the Bank of a great number of obligations which have matured in the assets of other institutions, tends to transform a part of the business of discount into a simple means of profiting by the machinery of the central bank to make collections. It is remarkable that securities find their domicile in the assets of the Bank only for an average of thirty-nine days. This is an important and inevitable cause of reduction of profits for 'the bank of bankers' and one of the reasons which should lead

[a] Documents Parlementaires: 1900, p. 421.

our great establishment of credit to seek profitable means of development, without departing from its proper sphere."

The by-laws governing the internal management of the Bank provided in 1907 for a maximum of 16 chief collectors and similar employees, 36 collectors of the first class, 50 of the second class, and an unlimited number of the third class. The chief among these officials receive salaries ranging from 2,200 to 2,800 francs per year; those of the first class, from 1,800 to 2,200 francs ($350 to $420); those of the second class, from 1,600 to 1,800 francs; and those of the third class, from 1,400 to 1,600 francs. After five years' service, advances may be made of 200 francs to the chiefs, and 100 francs to other employees.[a]

The necessity of a force of this kind to make regular collections and to assert the legal rights of the Bank is indicated by the facts published in the annual reports in regard to defaulted paper. The defaults do not usually cause losses to the National Bank, because the paper represents rediscounts, and that which is not paid to the collectors is returned by the Bank to the indorser for payment. The ratio of delinquencies naturally becomes a little greater in a year of business depression, like 1908, than in a year of greater business activity.

The annual report of the Bank for 1901 shows that the total number of pieces of commercial paper subject to collection during the year 1900 coming from the assets of the National Bank and of the National Savings Bank was 3,808,195, representing an amount of 3,471,781,776 francs ($670,000,000). On this sum the amount due at Brussels consisted of 730,497 pieces for a capital of 769,305,979

[a] Lois Organiques: Statuts, 1907, pp. 68–69.

francs ($148,500,000). Of this total there were 92,141 pieces (or 12.61 per cent of the whole) which were not paid at maturity; but from this amount 54,215 pieces, representing a capital of 23,556,072 francs, were paid to the collectors or to the cashier after protest. There thus remained 37,926 pieces of paper unpaid, representing 11,677,482 francs ($2,254,000), which was returned to the indorsers for payment.

In the provinces there were 129,734 pieces of paper which were not paid at maturity, but 71,982 pieces, representing a capital of 31,227,166 francs, were paid to the collectors. There thus remained 57,752 pieces, representing a capital of 15,265,098 francs, which were returned to the indorsers for payment. It by no means follows that this paper was ultimately defaulted, but it was left for the bank first discounting it to attend to the detail of securing its payment after making prompt reimbursement to the National Bank. The percentages of paper thus returned were, in the case of the office at Brussels, 5.19 per cent of the number of pieces of paper, but only 1.51 per cent of the total amount of discounts. In the provinces the showing was even better, representing 3.87 per cent of the number of pieces discounted and 0.93 of the amount of discounts.[a]

The effect of the depression of 1908 is shown by a considerable increase in the percentage of paper returned to the indorsers for payment. The total discounts at Brussels represented 796,449 pieces of paper for an amount of 454,249,660 francs ($88,100,000). Of this number 107,212 pieces were not paid at maturity, but 60,354 pieces, repre-

[a] Rapport: 1901, p. 10.

senting a capital of 28,474,994 francs, was paid to the collectors or at the Bank after protest. There remained 46,858 pieces, representing a capital of 15,557,296 francs, which were returned to the indorsers for payment. In the provinces, out of total discounts to the number of 1,676,651, representing a capital of 2,015,582,898 francs, there were 161,635 pieces, or 9.64 per cent of the whole, which were not paid at maturity. The amount paid, however, to collectors was 89,992 pieces for an amount of 42,770,692 francs. This left 71,643 pieces, representing a capital of 19,973,986 francs ($3,860,000) to be reimbursed by the indorsers. The percentage of the amount of total discounts thus returned to the indorsers for payment was 3.42 per cent at Brussels and 0.99 per cent in the provinces. [a]

CURRENT ACCOUNTS.

The National Bank of Belgium does not seek to attract deposits, except those which pertain to commercial operations. As at most European banks, a distinction is made between credits opened in favor of those doing business with the Bank, and consisting essentially of loans by the Bank, and voluntary deposits by persons not seeking accommodation from the Bank. The term used for credits in favor of borrowers and others having accounts with the Bank is not "deposits," but "current accounts" (comptes courants). The National Bank has a large department for the safe-keeping of securities, and the operations of this department appear under the head of deposits, while credits in favor of clients of the Bank are stated as current accounts.

[a] Rapport: 1909, p. 11.

The National Bank pays no interest on deposits or current accounts. The provision that interest shall not be paid is embodied in the regulations of the Bank (art. 27), but not in the organic law. This subject was carefully considered at the time of the creation of the Bank, when an amendment authorizing the payment of interest was rejected. Upon the motion of M. Frère-Orban it was decided, by 33 votes against 30, to leave this question for the statutes. The subject again came under debate at the renewal of the charter in 1872, when a luminous argument was made by M. Pirmez upon the fundamental differences between current accounts drawing no interest and deposits drawing interest.[a]

Capital, declared M. Pirmez, may be brought to a bank in connection with the movement of business; or it may be brought there as a matter of investment. If the bank does not pay interest, the first type of capital alone will come; if it allows interest, it makes appeal to the second type. No one has ever disputed that the National Bank should, like all establishments of the same sort, receive the capital destined to play a part in the current movement of commercial operations. By transfers, checks, and drafts the funds thus deposited serve for numerous payments, which are accomplished in the simplest manner. The result is substantially the same as that derived from the issue of notes. The latter replace money and are in their turn replaced by simple written forms. They belong to the functions of the bank, which is the great organism of the circulation, and lend themselves to these operations, realizing to the profit of the country an economy in the employment of metallic money.

[a] Documents Officiels: 1872, pp. 54–56.

The danger of such deposits, M. Pirmez declared, is essentially limited and may be easily avoided. The amounts deposited do not receive a pecuniary remuneration, but they receive a remuneration in services rendered. Such deposits are made only when one expects to obtain in the movements of business the advantages which the bank assures, and as the movements of business are for each tradesman a continuing series, it follows that after the exhaustion of a deposit it will almost always be renewed. That which stimulated the first deposit stimulated the later ones. Thus, even the funds which commercial houses leave at the National Bank, rather than keep in their vaults for their daily needs, disappear only to return at once, because they constitute the available reserve of which they have need. From this perspective it is apparent that the funds thus deposited are necessarily limited by the absence of interest allowances and that the effect of this limit is to constitute the liabilities of the bank in this respect of deposits which have in the aggregate a certain fixity.

This situation, M. Pirmez went on to argue, is completely modified if by the allotment of interest deposits become a method of investment. Their advantage disappears, to give place to danger. The funds thus drawn into the bank, no longer contributing to the movement of business, have no influence on the circulation. They would realize none of the progress which is the organic end of the National Bank. There were other establishments in the country which received funds and paid interest upon them. Such funds, through the intermediary of these establishments, went where they were called by the needs of in-

dustry and commerce. What profit would there be in withdrawing them from one place to send them to another? While the advantages of such an operation were only apparent, the dangers would be real. No limit would be fixed by conditions to these investments. To what figure might they not rise, to what fluctuations might they not be subjected, in periods of crisis?

As the result of adherence to this policy the debtor current accounts form but a small proportion of the obligations of the National Bank, but being commercial accounts, their movement is extremely rapid. While the current accounts of other Belgian banks have increased enormously with the expansion of the business of the country, the balance of such accounts at the National Bank has remained comparatively stationary. Thus, the Société Générale, which still does a large business in Belgium, showed an increase of its obligations to outsiders from 121,900,000 francs ($23,530,000) at the close of 1890 to 426,200,000 francs ($82,260,000) at the close of 1908.[a]

The movement of accounts at the National Bank has increased somewhat within the generation since the renewal of the charter in 1872, but even at the close of business on December 31, 1908, the balance of current accounts was only 100,716,555 francs ($19,450,000) out of total liabilities of 1,019,461,475 francs ($196,800,000), not including deposits of securities and other special funds in the custody of the Bank. The rapidity of the movement of these balances is indicated, however, by the fact that the total amount, which includes the deposit of the General Bank of Savings and Retirement, was 29,920,581,000

[a] Moniteur des Intérêts Matériels: February 28, 1909, p. 705.

francs, or more than four hundred times the amount of the average annual balance. The following table shows the magnitude of these transfers of funds for representative years:

Movement of current accounts.

Year.	Total receipts and payments.	Average balance during year.	Balance, Dec. 31.
	Francs.	*Francs.*	*Francs.*
1892	8,061,899,170	30,813,814	69,340,318
1897	10,811,595,273	42,941,738	93,892,514
1900	15,296,563,969	53,316,779	81,754,197
1901	14,746,108,566	60,644,173	89,513,811
1902	14,686,513,704	58,764,239	78,854,638
1903	16,292,981,371	54,496,884	86,971,009
1904	17,382,097,077	61,043,893	93,374,199
1905	20,522,122,333	63,189,681	98,615,552
1906	24,343,563,429	68,817,481	95,128,921
1907	29,290,671,685	63,405,963	87,573,812
1908	29,920,581,752	63,262,728	100,716,555

Application for the opening of a current account is made by addressing a letter to the governor of the Bank or, at the branches, to the local agent. If a corporation is concerned, the request must set forth the character of the corporation and the signatures of the members, managers, or persons who have authority to sign. These applications are passed upon by the council of administration. When granted they are recorded in the proceedings and the interested parties are advised. Owners of current accounts are advised every six months of the balance to their credit, and are required to acknowledge such advices and state if the balance given is in accord with their books.

The Bank assumes for persons having current accounts collections and payments in each locality where it has an

office. Payments may be made into any branch of the Bank for any holder of a current account at Brussels or in the provinces. Deposits of paper for collection must not be made more than eight days before maturity. For paper payable in the locality where it is deposited a charge is collected of 10 centimes (2 cents) and one-eighth per 1,000 upon the amount of the document. For paper payable in another locality than that where it is deposited the charge is 20 centimes per piece and one-eighth per 1,000 upon the amount of the document. Paper for collection in the same place must be deposited at least three days before maturity by noon. Paper to be collected elsewhere must be deposited at least five days before maturity by 10 o'clock. Such paper should bear the receipt of the person having the account, preceded by the words "to be collected through the intervention of the National Bank of Belgium." Such documents should be presented at the wicket of current accounts in a closed envelope bearing the name of the owner, the number of pieces and amount of the paper deposited, the date of maturity, and the cost of collection. Separate envelopes should be provided for paper to be collected in the same place, paper without charges (sans frais) for collection in another place, and paper under protest for collection in another place.

The Bank does not make itself responsible for the performance of any formality nor for protested paper payable in the locality where the owner is domiciled, nor does it assume any responsibility in case of the loss of documents which are remitted to it for collection. The Bank attends to the protest of paper drawn on a different

place remitted as protested paper. The Bank will not protest checks. These are to be included among the documents described as paper without charges. The Bank formerly advised beneficiaries of payments made to their credit by third parties, but did not carry out this formality in regard to payments made for the account of banking and exchange houses. During the year 1908 this rule was made of general application.[a] Payments are required to be of at least 1,000 francs, but various state enterprises are exempt from this requirement. While scrutinizing as far as possible the regularity of the drafts which it pays, the Bank assumes no responsibility for the genuineness of the signatures.

The owners of a current account have the option of making acceptances payable at the office of the bank where the account is kept. An acceptance is made upon an advice signed by the owner of the current account, which should reach the bank at least three days before maturity and contain the names of the drawers and their domicile, with the amount and maturity of the obligation. Paper which is paid is returned, upon the surrender of a receipt, at the wicket of current accounts. Current accounts may be canceled by resolution of the council of administration. This measure is taken against holders who do not conform to the requirements of the rules or who draw checks or orders without sufficient funds.[b]

THE CUSTODY OF SECURITIES.

The National Bank of Belgium performs a function common to most European banks, which is performed in

[a] Rapport: 1909, p. 25.

[b] Lois Organiques: Statuts: Règlement d'Ordre Intérieur, arts. 26–34.

America chiefly by safe-deposit companies. This is the guardianship of securities, precious metals, and gold and silver money in deposit boxes. The manner of dealing with these deposits differs somewhat in Europe, however, from the method pursued in the United States. The principal differences consist in the fact that deposits and withdrawals are made under the eye of the bank, and the character and amount of the deposits are on record, instead of being known only to the depositor.

The Bank does not accept deposits in a collective name, in the name of a married woman without separation of property, or for minors or those incapacitated, except by virtue of special authority. All deposits are inclosed in metal boxes, closed with a key, and stamped with the seal of the depositor. The dimension of the boxes is not permitted to exceed a cubic half meter (about a half yard) and each such box constitutes for administrative purposes a separate deposit.

At the time of the creation of the deposit the agents charged with this service may require the opening of the box which contains it in order to verify its character. A record is made in duplicate in a copying book. One copy, indorsed first by the agent who has received the deposit and then by the chief accountant, is remitted to the depositor, signed in the name of the governor by the director charged with supervision of this service. The other copy, indorsed with the signature of the depositor, and further protected at the same time by his seal, remains on file. Contrary to the policy of some European banks, these acts or certificates of deposit are not transferable. The bank restores the deposit only on pres-

entation of the original record and written acknowledgment. It reserves, moreover, the right to make such restoration at Brussels or at the branch at Antwerp, rather than at the agencies.[a]

The charge for the custody of deposits is levied on an amount not less than 25,000 francs and is payable in advance for each six months. The amount is one-half franc per 1,000 francs, but can not be less than 25 francs. The number of small depositors is large, the number in 1899 having been 1,024 out of a total number of depositors of 2,995.[b] While the deposit vaults are at Brussels, the agents of the Bank in the provinces have since 1897 received securities for transmission to the head office of the Bank. Depositors in such cases are required to pay the costs of carriage and insurance.

The Bank performs not merely the function of custodian, but of collector and administrator of securities in its custody, as do other European banks. A slight additional charge is made for such services, but they are performed with much saving of labor to the depositor. Among the services thus performed are the collection of interest and dividends upon the securities on deposit; the collection of premiums and the original capital in case of reimbursement; the ultimate reinvestment of sums thus collected; payments upon securities not fully paid; and the purchase of securities to be deposited and the sale of those already on deposit.

The fact that deposits and withdrawals are recorded when made enables the Bank to present accurate statistics

[a] Noel, I, p. 522.
[b] Documents Parlementaires: 1900, p. 427.

of the face value of such securities. The amount on account of individual depositors has increased rapidly in recent years. The following table shows the amount of such deposits by individuals, with the number of separate accounts, the number of depositors with a capital less than 5,000 francs, and the charges collected by the Bank for the service performed:

Amount and character of safety deposits.

December 31—	Declared value.	Total number of depositors.	Number of depositors below 5,000 francs.	Amount collected.
	Francs.			*Francs.*
1892	174,920,011	----------	----------	155,450
1897	255,715,488	----------	----------	203,759
1900	390,762,246	----------	----------	242,735
1902	523,790,188	----------	----------	275,766
1904	615,088,837	6,236	2,922	311,068
1905	674,085,374	7,124	3,357	340,663
1906	763,713,745	8,405	4,045	399,031
1907	790,884,741	9,632	4,624	393,444
1908	831,031,894	10,649	5,152	401,327

The deposits represent a great many varieties of securities. The number at the close of 1904, when the figures were first included in the annual report, was 2,403, which increased at the close of 1908 to 3,186.

These voluntary deposits of individuals represent only a fraction of the amount of securities in the custody of the National Bank. By far the greater portion of such deposits comes from various public funds of which the Bank has been, under various laws, made the legal custodian. Reference to the rapid increase of these deposits and their origin is made in this report in connection with the services performed by the Bank for the State.

Some idea of the increase in the amount within the brief interval of ten years may be gathered from the following table:

Deposits of securities by the Government.

December 31—	Deposits in public funds.	Securities of the savings bank.	Official bonds, etc.
	Francs.	*Francs.*	*Francs.*
1898	998,625,433	152,934,897	13,120,803
1900	995,330,229	198,579,470	13,504,687
1902	1,784,449,059	219,195,095	13,265,465
1904	1,859,113,471	235,545,265	11,767,128
1905	2,075,088,082	247,026,600	12,038,567
1906	2,083,175,768	268,903,352	12,049,845
1907	1,845,206,829	241,356,868	12,790,175
1908	1,752,298,028	234,322,680	12,598,206

MANAGEMENT OF THE BANK.

The management of the National Bank is in the hands of a governor and six directors,[a] who make up the administrative council. The governor is appointed, suspended, and dismissed by the King. The six directors are elected by the shareholders. The shareholders also elect the council of censors, a supervisory body which inspects the accounts and whose approval is required for important measures of policy.

The governor represents the State in its control over the operations of the Bank. He is appointed for five years and may be reappointed indefinitely. He can not be a member of the legislative body or draw a state pension.

[a] The word "director" (directeur) as used on the Continent does not mean merely a member of a supervisory board, as in the United States, but rather an active officer, conforming more to the American term "officer" or "manager."

He presides in all councils and meetings of the Bank, executes their decisions, and is charged with the enforcement of the laws and regulations. He has the right to suspend the taking effect of decisions made by the administrative council, in order to submit them to the general assembly of the shareholders, which he may call for urgent emergencies. It is his duty to suspend and report to the Government every act of the council which he deems contrary to the statutes of the Bank or adverse to the interests of the State. If the Government, having considered the conclusions reached by the governor, fails to come to a decision within a fortnight after his protest, the act can be carried out.

The governor has the casting vote in meetings of the administrative council. He signs all documents making engagements for the Bank after they have received the signatures of the secretary and treasurer, or one director in lieu of either. He represents the administrative council in the courts, and also has authority over all the agents of the Bank, and can suspend them without reference to the administrative council. He must own 50 shares of the Bank's stock as security for the performance of his duty. The King selects a vice-governor from among the directors, who acts instead of the governor in case of the latter's absence, incapacity, or suspension.

The six directors are chosen by the general assembly, and must be Belgian citizens (native-born or naturalized) and reside in Brussels. They are appointed for six years, and may be reelected. Each director must own at least 25 shares in the National Bank, and none of them can

belong to the administrative council of any other bank. Besides their general functions, each is intrusted with the control of one department or more of the Bank, and has authority over the employees under him. Every director receives a salary of 6,000 francs and has a share in the profits. The director filling the office of vice-governor has an extra allowance of 3,000 francs. The administrative council, consisting of the governor and directors, holds regular meetings three times a week, and special meetings whenever necessary. It considers all the concerns of the Bank, especially the rate on credits and advances, and discount affairs in general, and gives particular attention also to the purchase of securities and to legal issues in which the Bank may become involved. Finally, it appoints and discharges the employees and determines their salaries. In all matters it advises with the censors.

The censors are named by the general assembly of the shareholders for terms of three years. They retire in different years—three going out the first year, two the second, and two the third. Each censor must have 10 shares of bank stock. They also receive a portion of the profits. The council of censors meets at the call of the governor whenever conditions make it desirable, but not less than once a month. It requires the presence of a majority of the seven censors to do business. They have supervision over all transactions, audit the books, and vote the budget of expenses prepared by the administrative council. They are responsible for modification of the discount rate and all important matters affecting discounts and advances.

The governor, directors, and censors constitute the general council, which meets on the last Saturday of each month. The general council keeps under its cognizance the situation of the Bank, and acts on all questions submitted to it relating to the laws and regulations. It apportions the profits, and controls matters relating to the manufacture and issue of bank notes. It selects a discount committee from among merchants or old clients, which examines the paper presented for discount and determines what to accept and what to reject.

The State designates a government commissioner (whose salary the bank pays), to exercise the functions of a comptroller, especially with regard to discounts and the note circulation. He has the right to look into the business condition of the Bank and to inspect its books. He has the right to attend meetings of the various boards of the Bank, including the general assembly, and to speak at such meetings, but not to vote.

The compensation of the governor, fixed by the King, is 18,000 francs, but in addition he receives the use of a fine house, handsomely furnished and heated, with several employees furnished by the Bank, and a share, with the directors, in the annual profits. The share allotted to the governor and directors is 4 per cent of the excess of profits after the payment of the first dividend of 4 per cent to the shareholders. The proportion of the profits may however, by article 61 of the statutes, be limited by vote of the general assembly to 80,000 francs semiannually for the board of directors and 17,500 francs for the censors.

The general assembly of the shareholders, which meets twice a year, or more often if required, consists of those

shareholders who are owners of at least 10 registered shares, which must be registered in their names for at least twenty days before the meeting or be deposited at the head office of the Bank or at agencies designated by the directors. As the shares of the Bank sell for about 4,500 francs, a person qualified to vote in the general assembly must have an investment of the present value of about 45,000 francs ($8,685). A shareholder can be represented by proxy only by another shareholder entitled to vote, but associations and corporations may be represented by a member designated for the purpose and minors and persons under guardianship by their guardians or trustees. No one is allowed more than 5 votes as a shareholder, whatever may be the number of his shares, nor more than 5 votes as attorney, whatever may be the number of his principals.

The regular meetings of the general assembly take place on the last Monday of February and the last Monday of August. The assembly passes upon the balance sheet of the preceding half year, if necessary, and that of the February meeting receives the report of the directors on the operations of the previous year ending December 31. At the August meeting the directors and the censors are elected who are to take office at the beginning of the following year, and at either of these meetings vacancies may be filled which have been caused by death, resignation, or otherwise.

An extraordinary meeting of the general assembly may be called whenever the administrative council considers it expedient. Such a special meeting must be called when it is demanded by the board of censors or by not less than

20 shareholders entitled to vote and also when the number of directors or the number of censors is reduced to 4. Such meetings are called by registered letters sent to shareholders of record having a right to vote at least fifteen days in advance of the meeting and by publication in the "Moniteur" and in two other principal daily papers of Brussels one month before the date of the meeting. The latter interval may, however, be reduced to fifteen days, if the general council consider it necessary.

The general assembly may deliberate on subjects set forth in the notice of the meeting, and which are placed before them either by the directors or the board of censors, and also on propositions signed by 5 members which have been transmitted to the directors at least ten days before the meeting, to be placed on the order of the day. Elections and revocations are made by secret ballot. On other propositions and subjects the voting is done by yeas and nays. A majority of those voting is required to elect an officer. Directors or censors can be dismissed only by a vote of three-quarters of the votes cast, which must represent at least one-half of the capital stock of the bank.[a]

The acts of the general assembly are valid only when the number of shares represented is at least 20,000 out of the 50,000 outstanding. At a meeting where the absence of a quorum is thus developed it is permissible for the owners of less than 10 shares to combine and place them in the charge of shareholders having the right to vote. Resolutions at such meetings must be carried by a vote of at least two-thirds and are effective only when approved by the governor.

[a] Lois Organiques: Statuts, pp. 36–39.

In 1898 the number of registered shares was 26,200 and shares to bearer 23,800. At the close of 1908 the number registered was 24,221 and the number to bearer was 25,779. In 1898 the registered shares were divided between 999 owners, of which 673 possessed at least the 10 shares required to participate in the annual meetings. In 1908 the 24,221 registered shares were distributed between 889 owners, of which 584 possessed at least 10 shares.

INTERNAL ORGANIZATION AND PERSONNEL.

Employment in the clerical grades of the National Bank of Belgium is not remunerated with large salaries, but is likely to be permanent if the employee is faithful, and is followed by allowances for old age and retirement after a certain period of service. In order to enter the employment of the Bank it is necessary to be not less than 18 nor more than 28 years of age. The applicants must pass an examination and be in position to furnish the bond required for faithful service. The examination may be dispensed with in the case of graduates of commercial and consular schools. Preference is given to graduates knowing, in addition to French, the Flemish, English, and German languages, and in those positions involving contact with the Flemish element of the population, including Brussels, knowledge of Flemish is required. No one is promoted to a higher grade unless he has served two years in his present grade, and no one can attain an increase of salary until he has served two years at his current rate of pay when the latter is above 1,800 francs ($347.40); but these rules may be suspended if the interests of the Bank require or if exceptional services are to be recompensed.

The council of administration is also authorized to confer special employments, either temporary or permanent, upon persons chosen from the ranks of the Bank or from outside.[a]

Employees who are incapable of fulfilling their functions by reason of temporary disability, those who have obtained a leave for a long term, those whose places have been suppressed and to whom a waiting allowance has been allotted, and those who have been suspended from their functions by way of discipline, are put in a class known as the "inactive." Inactivity is limited to two years, but may in special cases be prolonged to four years by decision of the council. Those who are on the inactive roll by reason of temporary disability enjoy a compensation of half their regular salary where they have seen ten years of service or less and three-quarters of their regular salary where they have seen more than ten years' service. It is left to the administrative council to fix the waiting salary of those who are on the inactive list as a measure of discipline.

Employees are not allowed to hold a place outside the Bank unless by authority of the council of administration. Absolute secrecy is enjoined upon employees in regard to all the operations of the establishment. The penalties provided for violation of the rules of the Bank are the reprimand, deprivation of salary, suspension of functions, transfer to the inactive list, reduction by one or several grades, and dismissal. These penalties can be inflicted only after the employee has had an opportunity for explanation.[b]

[a] Lois Organiques: Statuts, pp. 62–66.
[b] Ibid., pp. 67–68

The hours during which the Bank is open to the public are from 9.30 to 3. The working hours are from 9.30 to 4, but employees are bound to work longer if the needs of the service require. Leaves of absence are not ordinarily allowed to exceed two weeks.

The salaries paid to subordinates at the Bank, as already stated, are small, in accordance with the modest cost of living in Belgium. The adequacy of these salaries was the subject of a lively discussion in the Chamber of Deputies pending the renewal of the charter in 1900. An amendment was offered by M. Bertrand, proposing that the Bank should establish a scale of salaries which should be submitted for approval to the Minister of Finance and Public Works and that no salary should be less than 1,200 francs ($231.60) per year. It was further provided that active collectors should draw from 1,800 to 2,100 francs and that the minimum for employees in the bureaus should be 1,500 francs.[a] This amendment was ultimately rejected by a vote of 19 in the affirmative and 61 in the negative, but the discussion threw some interesting light on the position and compensation of various classes of employees. The Socialist members made themselves champions of the minor employees of the Bank and pointed out the difficulty of living on the modest allowances which they received.

M. Defnet declared that the National Bank recruited a certain number of its collectors from former subaltern officers of the army, who gave up their posts after an experience of eight years without any trade or position and became applicants for places on the police or at the Bank. These young men, he declared, who had practically been

[a] Discussions Parlementaires: 1900, sitting of February 9, p. 727.

employed for sixteen years in the army, knew nothing of civil life. They are thoroughly disciplined by long service in the regiment and the Bank seeks them out and offers them the place of a collector at an average of 70 francs per month, the minimum which is guaranteed. M. Defnet read a letter from one of these employees, declaring that their situation was far from being brilliant or enviable. Entering the service as supernumeraries at 4 francs per day with a minimum pay assured of 70 francs ($13.51) per month, they obtained after two years an increase of 50 centimes per day and a minimum of 80 francs ($15.46) per month. After five years they are accorded 5 francs per day, with a minimum of 90 francs per month. At the end of five years' apprenticeship of this sort they became collectors of the second class at 1,400 francs ($270.20) per year, where they remained for six years before obtaining 1,600 francs, and another six years before being promoted to the first class with 1,800 francs. M. Defnet continued by referring to the brigadiers, who superintend the collectors, who might at the end of twenty-five years of service draw 2,400 francs ($463.20). These employees, he declared, were daily in contact with the public, which subjected them to expenses greater than those of other employees or laborers, including being well clothed and wearing clean linen. Continuing, M. Defnet exclaimed:

"Do you believe, gentlemen, that it is easy to live at Brussels, where the cost of living is so high, where rents are at unapproachable figures, on 70 francs per month? Do you believe that it is possible, with such a salary, to honestly support a family? And even this monthly salary

of 70 to 80 francs they do not always receive, for here is what I find in the rules regarding the collectors of the Bank:[a]

"'Errors of calculation, the acceptance of money which is not legal tender, bills torn or valueless, shall be charged to them.'

"The fund for these collectors is not available for errors below 25 francs, and it is these errors which are most numerous."

It developed during the debate that the limitation authorized by article 61 of the statutes, by which the share of the profits allotted to the directors might be limited to 80,000 francs for each six months, had not been put in operation. It was stated that the governor at that time received 50,000 francs as his share of the annual profits, making with his salary of 18,000 francs a total compensation of 68,000 francs ($13,124) in addition to his handsome habitation—furnished, heated, and lighted. The vice-governor received 47,000 francs, each of the directors 44,000 francs, and the censors 7,500 francs.

It was suggested by the representatives of the Government that the adequacy of the salaries paid was demonstrated by the ability of the Bank to obtain all the help it needed in competition with the joint-stock and private banks and other employments. It was declared also by M. Liebaert, Minister of Railways, Posts, and Telegraph, that there was a fund of 73,000 francs for making up losses on the part of the collectors to the amount of 50 per cent where such losses were above 20 francs. It would not do, said M. Delbeke, to hold the employees entirely free from

[a] Discussions Parlementaires: 1900, p. 737.

responsibility for losses, because it would impair their vigilance. M. Delbeke declared also that he did not claim perfection for the entire mechanism of the Bank and that a project for the improvement of the position of the employees was in course of preparation. This declaration was greeted with derision from the Socialist benches, and it was said by M. Bertrand that it recalled the old sign of the barber, "Free shaves to-morrow."[a]

The promise of M. Delbeke was not carried out on a large scale at that time, but in recent years better care has been taken of the employees and the Bank has extended the insurance fund for retirement and old age. For several years small amounts were set aside for this purpose, reaching during the first six months of 1906, 31,246 francs ($6,000). At the close of 1906, however, it was recommended that out of the abundant earnings of the Bank a sum should be set aside of 250,000 francs for the extension of institutions of insurance and old age. It was stated in the annual report for 1906 that the organization of such a fund among the personnel of the Bank extended back to 1880, but so numerous, varied, and unforseen had been the necessities, which the Bank could not afford to disregard in a personnel of 695 employees, that the fund previously provided was incapable of taking charge of the widows, orphans, and employees. The administration had never failed to meet such emergencies, but had met them chiefly from general resources. It was recommended that a permanent fund be established and for this purpose the sum of 250,000 francs was allotted for the second half of the year 1906.

[a] Discussions Parlementaires: 1900, p. 745.

The report for 1907 declared that the council of administration had been pursuing the study of the reorganization and extension of the insurance institutions and had reached a rational solution of the question. From January 1, 1880, to December 31, 1907, it was announced that the force of the central administration of the branch at Antwerp had been affiliated with a tontine insurance institution, maintained by the deduction of 4 per cent from salaries and by an equal grant on the part of the Bank. This organization settled only imperfectly the question of retirement, because the fund conferred on its participants only the prospects of an indeterminate allotment, which it was inconvenient to reduce to definiteness. It was better, evidently, to substitute for this condition the certainty of a retirement pension bearing some relation to the position which the employee had occupied at the Bank. The same uncertainty existed in the case of death of an employee in relation to his widow and children. The new organization, however, permitted the employees to depend in advance on the allotments which would fall to them at the time of retirement and gave them the assurance that, if they died before or after retirement, their widows and children should be beyond the reach of want. The fundamental character of the new institution, embracing not only the entire personnel of the central administration and of the branch at Antwerp, but also the agents in the provinces and their employees, was as follows:

"1. Every functionary or employee has the right, at the age of retirement, to a life pension equal to two-thirds of his final salary.

"2. The death of an agent confers on his widow the right to the immediate enjoyment of a life pension, representing an important percentage of the pension of the husband.

"3. Every orphan of the father or mother less than 18 years of age, receives a temporary allowance up to 18 years, equal to 300 or 500 francs."

In order to assure the regular working of the new institution, the general council of the Bank did not hesitate to vote a subvention, to be included in general expenses, which might reach 10 per cent of the total amount of wages and salaries. In order to anticipate demands upon the fund after January 1, 1908, extraordinary grants were made, rising to a total of 1,000,000 francs.[a] This sum was made up of the allotment for the second half of 1906 of 250,000 francs; the first half of 1907, 400,000 francs; and the second half of 1907, 350,000 francs. The regular allotments for the two half years of 1907 had risen respectively to 33,933 francs and to 34,645 francs. Under the working of the new plan, however, these allotments were increased for the first half of 1908 to 123,421 francs and the second half of 1908 to 130,836 francs, making a total for the year of 254,257 francs ($49,000).[b]

BRANCHES AND DISCOUNT OFFICES.

The system of branches of the National Bank of Belgium is of a distinctive character. There is, strictly speaking, but one actual branch of the central institution

[a] Rapport, sur les opérations de l'année, 1907, pp. 25–27.
[b] Rapport, 1908, Résumé du compte de Profits et Pertes.

at Brussels. This branch is located at Antwerp, the chief commercial city of Belgium. The scope of the activities of the Bank, however, is far from being limited to these two establishments. There are 39 agencies, with which are associated, to the number of thirty, what are known as discount offices (comptoirs d'escompte). These discount offices act as guarantors for much of the paper discounted by the Bank. They are usually private partnerships (sociétés en nom collectif), but they may be constituted under several other forms, as joint-stock companies or even as cooperative companies. It was declared, in the replies of the Government to certain questions of the central committee of the chambers, in 1899, that there existed no definite requirement as to form in the organization of the comptoirs, but that the administration of the Bank was bound to determine if the form proposed would afford the necessary guaranties. In one case at least a corporation—the Bank of Flanders—had performed the functions of a discount office at Ghent, during a considerable period.[a] The character of business done by these offices is thus defined by M. des Essars:[b]

"Under the name of comptoirs d'escompte (discount bureaus), associations of persons are permitted by the general council to discount such paper as is specified by the regulations of the Bank at rates and under conditions prescribed by the general council. The paper admitted by the comptoirs is indorsed to the Bank direct. Each comptoir is held responsible; so that bad paper is returned to the bureau from which it emanated, and which has to

[a] Documents Parlementaires: 1900, p. 194.

[b] A History of Banking in all the Leading Nations, III, p. 272.

make good the amount. The individuals associated in the comptoir receive a commission on paper that they discount to remunerate them for their trouble and reward them for the risk they take. The commissions are determined by special arrangements. In general, the discount bureaus are located at the agencies of the Bank, the agents lending them half of their offices for their discount business and their bookkeeping."

A form of bond (cautionnement) is required in most cases from the discount office. This bond is fixed, not by any rigid rule, but according to circumstances. The Bank, in fixing the bond, takes into consideration the importance of the business of the discount offices, the nature of the security, and the solvency of the parties. The form of contract between the comptoir and the Bank sets forth in considerable detail the obligations imposed on both sides. The National Bank submits to the examination of the comptoir all the paper which may be presented for discount at the agency with which the comptoir is connected. The comptoir undertakes to examine and appraise such paper and to guarantee that the Bank shall be subjected to no loss on paper discounted through its intervention. The comptoir is required to restrict the paper dealt with to the requirements of the statutes of the Bank. Discounts are granted provisionally by the agents of the Bank, subject to admission by the comptoir. The discount of a given piece of paper becomes definitive only if it is not returned within one day by the Bank. The Bank has the right to suspend or limit the operations of a comptoir. The comptoir admits foreign drafts only upon the authority of the Bank. It admits paper of which one of the required signatures comes from

a member of the comptoir only after authorization by the Bank.

There is allotted to the comptoir as remuneration for its management and guarantee a commission on the product of discount, which is fixed at one-quarter up to the rate of 4 per cent; one-eighth upon the excess of the rate above 4 per cent up to 5 per cent. Nothing is allowed beyond 5 per cent.

To relieve the Bank of clerical expenses and rent which it assumes for the comptoir, the Bank retains 20 per cent of the commission.

The comptoir is required to admit the agent of the Bank to all its meetings, and to consider his observations, which he may require to be entered in the records. The Bank places its documents at the disposition of the comptoir, but does not assume responsibility for them.

Paper admitted by the comptoir which is not paid at maturity, or which is sent back by the Bank, shall be immediately reimbursed to the agency of the Bank.

The 39 agencies of the Bank are presided over by agents, who are appointed by the King because they are recognized as responsible for the administration of the public funds as well as those of the Bank. The Government has required the establishment of agencies where it has judged suitable with reference to the movement of public funds, and in some cases where the Bank has not found it advisable to establish a discount office. These agents are required to reside in the locality where the agency is established. They look only to the governor of the Bank for their orders.[a] They are forbidden to carry on any business foreign to the management of their

[a] Lois Organiques: Statuts, p. 103.

agency and can not accept any function without the express authority of the council of administration of the Bank. They are divided into three classes, those of the first class receiving salaries ranging from 12,000 to 15,000 francs ($2,895), those of the second class from 9,000 to 12,000 francs ($2,316), and those of the third class from 6,000 to 9,000 francs ($1,737). An allotment for expenses is made by the council of administration of the Bank. Every agent is required to submit all his books, accounts, and cash and to give all desired information to any delegate of the central administration who may appear with proper credentials to make an inspection.

The business done by the comptoirs represents a considerable proportion, but not the major part, of the business of the Bank. The 30 comptoirs are located at the principal towns of Belgium and practically extend the facilities of the Bank throughout the Kingdom. The places at which agencies of the Bank were established at the close of 1908 were the following, those where there was no comptoir being in italics:

Agencies of the National Bank of Belgium.

[Italics denote absence of a comptoir.]

Alost.	Hasselt.	Philippeville.
Arlon.	Huy.	Renaix.
Ath.	La Louviere.	*Roulers.*
Audenarde.	Liege.	Saint-Nicolas.
Boom.	Louvain.	*Soignies.*
Bruges.	Malines.	Termonde.
Charleroi.	*Marche.*	Tirlemont.
Courtrai.	Mons.	Tongres.
Dinant.	Namur.	Tournai.
Eecloo.	Neufchateau.	Turnhout.
Furnes.	Nivelles.	Verviers.
Gand.	*Ostende.*	*Wavre.*
Grammont	Peruwelz.	*Ypres.*

The proportion of business done through the comptoirs has not changed radically in recent years, but the discounts granted at Brussels have declined in importance in comparison with those granted at the branch at Antwerp. The changes in the ratio of business done at the branch at Antwerp and at other offices of the Bank is indicated in the table below:

Discount at the branches and discount offices, 1900, 1904, and 1908.

Source of discounts.	Number of bills.	Amount.	Per-centage.
1900.			
		Francs.	
At comptoirs	1,958,478	1,165,684,338	42.4
At the branch	240,824	442,607,931	16.1
At Brussels	1,576,821	1,141,416,358	41.5
1904.			
At comptoirs	2,101,019	1,106,975,150	38.8
At the branch	312,462	677,423,204	33.7
At Brussels	1,657,535	1,071,037,539	37.5
1908.			
At comptoirs	2,335,878	1,340,486,433	43.9
At the branch	382,500	957,258,367	31.3
At Brussels	1,708,271	758,150,488	24.8

CHANGES IN CAPITAL AND SURPLUS.

The original capital of the National Bank of Belgium, as fixed in the law of 1850, was 25,000,000 francs ($4,825,000), divided into 25,000 shares of 1,000 francs each. This was increased in 1872 to 50,000,000 francs. It was declared by the Minister of Finance, in submitting his project for the renewal of the charter in December, 1898,

that it did not seem necessary to authorize a further increase of capital. The amount of real capital available, if the reserve fund were included, was already more than 76,000,000 francs and was subject to annual increments of increase. To increase the legal capital would be to divert from employment which might be more useful funds upon which, if they were thus employed, the Bank would be obliged to earn a dividend.[a] It was pointed out in the report of M. Delbeke that a bank of circulation does not require so large a capital in proportion to liabilities as is required in banks of discount. In early banks of deposit the capital played the rôle of a guaranty. In banks of discount also the capital served for advances and was the basis for banking operations. If they were large, it was necessary that the capital should also be large. Industrial banks relied upon their capital to sustain their varied enterprises. But it was otherwise with a bank of issue. Such a bank does not discount with its capital, but offsets its discounts by notes payable on demand. The capital is not, it was contended, the basis of the operations of the National Bank; it serves only as an insurance fund against miscalculations in the acceptance of paper for discount.

The argument of the government on this subject was set forth more fully in the report made to the Senate by the Chevalier Descamps. This report declared:[b]

"The share capital of a bank of issue may properly be modest without harming its credit, because its rôle is secondary, subsidiary, and so to speak contingent. On

[a] Documents Parlementaires: 1900, p. 9.
[b] Ibid., pp. 381–383.

the one hand, the wise limits imposed upon the policy of a bank of issue exclude from the scope of its operations the more compromising of banking operations. On the other hand, the activities of a bank of issue do not have the share capital as the basis of operations. It concerns itself especially with the exchange of notes at sight against securities of equal value, quickly convertible, which fill the assets of the bank to just the extent that notes are issued and which are regularly called upon, by their graduated maturities, to provide a succession of repayments.

"The discount-issuing machine being in motion, the capital is called upon only to provide eventually for advances from the assets, rare and generally unimportant, for short anticipations of maturities and momentary congestions of circulation, which do not ordinarily occur in a sudden manner, which may be conjured or modified by many measures, which constitute a serious and constant care, rather than an accident compromising to the life of the institution.

"The soundness of a bank of issue reposes then essentially not upon its capital, but upon the quality of the securities which have found a place in its assets as a counterpart of the notes. Its credit arises from the nature of its operations and the prudence of its administrators in conforming their management to these requirements."

This argument was carried further than the Government wished in the discussions in the chambers, by the proposal of Professor Denis, that the capital should be reduced to 25,000,000 francs, where it stood in 1872, and that the reserve fund (or surplus) should be distributed at

once to the shareholders. Future losses, Professor Denis proposed, should be met from an insurance fund, to be constituted by a levy upon the annual profits of an amount not exceeding three times the ascertained losses upon the average of the years 1872 to 1898, which he computed at about one-thirtieth of 1 per cent (0.034) annually.[a] M. Denis denied that anything in the risks involved justified the doubling of the capital in 1872. The impairments of the portfolio of discounts figured, for the entire period which had elapsed, at a little more than 5,000,000 francs, or something like 9 to 10 centimes per 100 francs of securities discounted. The profits had in no case suffered; whence it followed that the doubling of the capital was not justified according to the laws of 1850 or 1872 as interpreted by M. Frère-Orban himself, who assigned to capital simply the rôle of guaranteeing the Bank against the impairment of discounts. The consequences of doubling the capital had been to double the amount of dividends. From an average of 3,075,000 francs ($593,500) prior to 1872 they had become about 6,000,000 francs ($1,158,000).[b]

It was frankly admitted by M. Delbeke, the reporter for the Government, that a capital of 75,000,000 francs (including reserve funds) was not indispensable, but he did not consider prudent the reduction of the amount, because the Bank was charged with the service of the public treasury and of the savings banks, and in these relations was the custodian of several hundreds of millions. He opposed, however, the increase of the capital, which

[a] Discussions Parlementaires: 1900, p. 459.
[b] Ibid., p. 466.

some were urging in order to make the Bank a more impressive figure midst the private institutions of large resources which had grown up around it. He declared that the object of the capital was to separate private from public credit. It was necessary that it be sufficient to give to private interest the power to resist the injurious interference of the State and large enough to fulfill the guaranties, both principal and accessory, which a bank of issue took upon itself in every country; but any increase beyond these requirements would lock up needlessly capital which, if left at liberty, would find a more useful employment in the industrial and commercial activity of the country.[a]

It was provided by the law of May 5, 1850, that at least one-third of the annual profits in excess of 6 per cent of capital should be employed in building up a reserve. This proportion to be set aside from profits was reduced by the law of May 20, 1872, to 15 per cent of the profits in excess of 6 per cent. A still further change was made by the law of March 26, 1900, reducing to 10 per cent of excess profits the amount required to be covered annually into the reserve, but providing that such distribution should begin after the payment of a dividend of 4 per cent.[b]

These reductions in the proportion of profits required to be set aside to the reserve fund were justified, in the opinion of the Belgian lawmakers, by the rapid accumulation of the reserve and the experience of the small demands which were made upon it. The reserve had risen at the close of 1871 to 14,491,547.20 francs, which was then

[a] Discussions Parlementaires: 1900, pp. 271–272.
[b] Documents Parlementaires: 1900, p. 583.

required to be invested exclusively in public funds. These funds were carried at first at the purchase price. A change was made during the year 1872 by which the appreciation of these securities was recognized by calculating them at the actual quotations on the Bourse. At the end of 1872, with this change of valuation and the accretions of the year, the value of the reserve fund stood at 20,269,075 francs ($3,811,400).

It was accordingly decided that the increase of capital authorized by the new charter of 1872 should be obtained to the amount of 12,500,000 francs by transferring this amount from the reserve fund to capital. This reduced the reserve by a corresponding amount, but left it at the end of 1873, with the profits of that year, at 7,671,842 francs. Further increases carried the amount upward by an average of about 700,000 francs annually until it stood at the close of 1887 at 20,199,422 francs.[a]

The decision made in the enactment of the new charter in 1900, not to provide for any increase of capital, prevented any radical change in the status of the reserve. The additional share given to the Government in the net earnings in 1900 was, however, made retroactive for the year 1899. It was declared, in the concluding article of the law of March 26, 1900, that the Bank should pay into the treasury from its reserve fund the amount necessary to bring up its payments for 1899 to the requirements of the new law and that the amount thus paid from the reserve should be restored in installments levied upon subsequent earnings.

In pursuance of these requirements the Bank paid over to the treasury a sum of 1,487,258 francs ($287,000), but

[a] Noel, Les Banques d'Émission en Europe, I, pp. 544–545.

the regular addition made by the Bank to its reserve at the close of the year 1900 was 846,092 francs, and a special addition was made by way of restitution to the amount of 350,000 francs, leaving the reserve at the close of 1900 at 27,629,794 francs ($5,332,000), or less than 300,000 francs below the amount at which it originally stood at the close of 1899.[a]

The Bank keeps invested in securities an amount which is practically equal to the whole of the capital and reserve, but the entire amount—about 85,000,000 francs ($16,400,000)—is a small proportion of the total assets of the banking department, which stood on December 31, 1908, at 1,019,461,475 francs ($196,760,000). The amount held in public funds which is not set aside for the reserve is treated as part of the general assets of the Bank and is not charged distinctively against the capital. The annual reports give in detail the public funds held outside the reserve, but not in all cases the composition of the reserve itself. The funds thus held in both accounts at the close of 1900 were classified, at par value, as follows:

Investments in public funds.

Class of funds.	General investments.	Reserve fund.
	Francs.	*Francs.*
Belgian 2½ percents	6,656,300	7,347,500
Belgian 3 percents:		
First series	8,800,200	1,735,700
Second series	34,100,600	1,801,800
Third series	6,311,500	122,100
Annuity Bank 3 percents	----------	641,500
Annuity Bank 4 percents	----------	256,460
Society of Communal Credit 3 percents	----------	17,000,000
Local railway guaranteed 3 percents	----------	1,095,400

[a] Rapport: 1900, p. 22.

The general investment fund kept in securities has not been changed in character or amount for a series of years. While the reserve fund has grown, its composition is dismissed in the report for 1908 with the statement that it consists of "Belgian and foreign securities representing a capital of 35,545,165 francs ($6,860,000)." The reserve fund, in spite of deductions for losses from time to time advanced from 20,199,422 francs at the close of 1887 to 27,920,960 francs at the close of 1899; 31,150,684 francs at the close of 1904; 32,203,509 francs at the close of 1905; 33,261,375 francs at the close of 1906; 34,389,700 francs at the close of 1907; and 35,545,165 francs at the close of 1908.

EARNINGS AND DIVIDENDS.

The National Bank has earned a fair rate of profit upon its capital since its foundation. The net profits above cost of operation have been applied in part to the increase of the reserve, in part to the payment of taxes and charges to the State, and in part to the payment of dividends to shareholders. The cost of administration has steadily grown, largely as the result of the services performed gratuitously for the treasury and the National Savings Bank, which have greatly expanded in recent years. The details of these financial obligations to the State will be discussed under a separate head. How rapid has been the increase in total operations, in cost of administration, and how heavily the payments to the State have borne upon the net earnings remaining for distribution, is indicated by the table following.

Earnings and cost of operation.

Year.	Movement of operations.	Gross product.	Cost of administration.	Net earnings, after deducting taxes, depreciation, etc.
	Francs.	*Francs.*	*Francs.*	*Francs.*
1892	18,864,409,343	10,789,230	2,235,583	6,454,679
1897	23,880,970,766	12,665,355	2,431,279	7,545,720
1900	31,490,349,019	17,585,180	3,010,323	10,458,703
1902	32,179,502,121	16,662,898	3,230,098	11,041,731
1904	36,085,207,044	18,395,748	3,399,153	11,375,075
1905	40,424,814,815	18,498,899	3,651,852	11,541,778
1906	45,034,519,641	19,704,409	3,941,717	11,792,181
1907	51,162,602,291	21,122,923	3,887,953	12,541,791
1908	50,804,771,498	20,639,024	4,026,968	12,541,964

The net profits and dividends during the earlier history of the Bank, and the percentage of dividends paid to the actual prices of issue of the stock, appear in the following table:[a]

Annual profits and dividends, 1852–1887.

Year.	Net profits.	Amount of dividend.	Percentage of dividend to issue price of stock.
	Francs.	*Francs.*	
1852	2,193,566	1,675,000	6.70
1855	2,915,927	2,031,250	8.125
1860	3,765,467	2,743,750	10.975
1865	3,979,456	2,993,750	11.975
1870	4,117,985	3,262,500	13.050
1871	6,066,552	3,956,250	15.825
1874	9,416,652	6,583,750	13.1675
1875	8,213,647	5,980,000	11.96
1880	7,182,134	5,250,000	10.50
1881	8,551,104	6,000,000	12.00
1882	10,047,239	6,825,000	13.65
1883	8,727,387	6,100,000	12.20
1884	7,820,368	5,600,000	11.20
1885	7,455,261	5,400,000	10.80
1886	7,091,232	5,200,000	10.40
1887	7,728,111	5,550,000	11.10

[a] Noel, Les Banques d'Émission en Europe, I, p. 542.

Up to the renewal of the charter in 1900, the distribution of dividends had rarely exceeded 6,000,000 francs ($1,158,000). Even this allotment to shareholders was the subject of severe criticism from the Socialist benches in the Chamber of Deputies and a merit was made by the Government of its proposals, by which a larger share of earnings was to go into the public treasury and the proportion of earnings going to shareholders was to be reduced. There were protests from some of the Socialist members against giving the Bank more than a fixed interest upon its capital. It was contended by Professor Denis that the risk involved was small and that the return upon the investment was excessively large.[a] M. Bertrand offered an amendment guaranteeing an interest of 5 per cent during the thirty years of the proposed new charter, and declared that it was a very handsome minimum compensation to an idle capital which was exposed to not the slightest risk. The surplus of profits, which had already risen above 4,000,000 francs for the year 1908, he proposed should be paid every year into an old age pension fund for laborers.[b] In response to these contentions, M. Liebaert, Minister of Industry and Labor, maintained that the real dividend under the new charter would not exceed 6.55 per cent upon the value of capital and surplus. He disclaimed computations based upon the market value of the shares, which would have afforded a still lower rate of return, but took the value of the property in case of liquidation by adding the surplus to the paid-up capital. He

[a] Documents Parlementaires: 1900, pp. 76–81.
[b] Discussions Parlementaires: 1900, p. 535.

justified the continuance of an elastic dividend rate in the following terms:[a]

"I repeat what I said last week—is there any hope, seeking all around us, of finding a private corporation which would agree to establish a bank of issue under the conditions stipulated by the pending bill, with the expectation of a return of 6.55 per cent? For my part, I believe that it would be an absolutely useless effort, and this simple observation answers everything which has been said in favor of amendments proposing other systems of division of profits."

While the growth in the business of the Bank resulted in higher profits in later years than were generally calculated upon in the discussion of 1900, the share of the State, including both special taxes and division of profits, exceeded the amount allotted to shareholders in dividends by more than 50 per cent even in 1907. The large amount paid into the treasury at that time was derived from the excess of the discount rate above 3½ per cent, all of which went to the State. The dividends paid to shareholders in 1907, which were the largest ever paid up to that date, were 8,300,000 francs ($1,602,000); the amount paid into the public treasury was 12,721,111 francs ($2,455,000). How these dividends have increased in recent years, in spite of the large proportion of earnings taken by the State, appears in the following table:

[a] Discussions Parlementaires: 1900, p. 544.

Dividends distributed, 1892–1908.

Year.	Amount of dividend.	Rate per share.
	Francs.	*Per cent.*
1892	4,850,000	9.70
1897	5,450,000	10.90
1898	5,500,000	11.00
1899	6,050,000	12.10
1900	7,050,000	14.10
1901	7,300,000	14.60
1902	7,400,000	14.80
1903	7,500,000	15.00
1904	7,600,000	15.20
1905	7,700,000	15.40
1906	7,650,000	15.70
1907	8,300,000	16.60
1908	8,300,000	16.60

SHARE OF THE STATE IN THE PROFITS OF THE BANK.

The proportion of the earnings of the National Bank of Belgium taken by the Government is large, but not larger than at some other European banks under the latest revisions of their charters. As the provisions of the charter on this subject are somewhat intricate it may afford a view of their general scope, before taking them up in detail, to give the summary made by the present writer elsewhere:[a]

"Under the extension of the charter in 1872 the Bank was required to pay a patent tax on the gross volume of business, a stamp tax on its notes, and a tax of one-quarter of 1 per cent semiannually on the excess of the circulation above 275,000,000 francs. These provisions were continued by the law of March 26, 1900. The other principal taxes levied by the law of 1872 were one-quarter of the net profits of the bank above 6 per cent and on discounts

[a] History of Modern Banks of Issue: 1909, p. 284.

the entire excess of receipts above a rate of 5 per cent.[a] These two limits were radically changed in 1900. Henceforth one-quarter of the profits was to go to the State after 4 per cent had been distributed to the shareholders and all profits obtained from a discount rate above 3½ per cent were to find their way into the public treasury."[b]

These taxes were the subject of careful discussion by the Government in presenting the project for the renewal of the charter in 1898, because it was anticipated that they would be attacked by the Socialist members of the chambers. In the statement of reasons for the government project submitted by the Minister of Finance the right of the State to impose a special tax upon the earnings of the Bank was based upon the argument that "the profits of the bank are derived solely from the privilege granted to it of issuing notes which are received in the offices of the Treasury." Discussing the best means of levying the share of the State, the minister continued as follows:[c]

"To levy directly upon the profits resulting from issue would appear at first to be the most rational system. It is the principle by virtue of which the State, after a preliminary allotment to the share capital, assumes for itself a portion of the net profit of the Bank. Would it not be suitable either to increase this proportion or to collect a share in the gross profits on productive operations, saving the right to abandon the benefits of half of 1 per cent on the credit circulation exceeding 275,000,000 francs?

"A profound examination led the Government to recognize that if, on the one hand, the reform should result in the

[a] Noel, I, p. 563.
[b] Bulletin de Statistique, April, 1900, XLVII, p. 422.
[c] Documents Parlementaires: 1900, p. 16.

abolition of a combination whose conception is more or less tainted with empiricism, it would result, on the other hand, according to every probability, in a considerable reduction of the receipts of the State in the future. It is sufficient to cast a glance over the following table to note that the profits of the Bank, far from following the regular ascending course of the circulation and of the tax of one-half of 1 per cent, scarcely maintain themselves:

"Proceeds of tax on circulation.

Year.	Net profits.	Average amount of circulation.	Increase over previous year.	Amount of tax on excess circulation.
	Francs.	*Francs.*	*Francs.*	*Francs.*
1888	7,455,018	361,030,000		413,000
1889	8,183,073	363,258,910	2,228,910	418,961
1890	8,090,981	382,509,680	19,050,770	518,138
1891	7,363,962	391,080,660	8,770,980	555,977
1892	6,454,697	405,862,150	14,781,490	633,110
1893	6,454,695	411,887,150	6,025,000	660,664
1894	6,454,688	429,358,450	17,471,300	748,739
1895	6,182,132	450,413,100	21,054,650	851,173
1896	7,000,418	451,708,950	1,295,850	858,354
1897	7,545,720	476,654,470	24,945,520	977,967

A further table, submitted by the minister upon the estimated increase in circulation of the ten years ending with 1908, showed a steady increase in the amount of the circulation with a corresponding increase in the tax collected. The estimated increase was from an average of 486,000,000 francs in 1898 to 611,000,000 francs in 1908. This estimate has been exceeded by the actual movement of the circulation. Commenting upon these estimates, the Minister of Finance declared that the maintenance of the clause imposing a duty upon the circulation was eminently favorable to the State, because it guaranteed to the treas-

ury a sure return, whatever might be the net profits realized by the Bank. "However reduced those profits may be," he declared, "it none the less remains true that the privilege of issue constitutes a source of profit to the Bank."

Turning to the important provision allotting a share in the net profits of the Bank to the Government, the minister declared that if it was just that in return for the privilege of note issue the State should obtain a share in the profits, it was also equitable to leave to the shareholders a revenue in proper proportion to the employment of their money and to the services which the Bank was called upon to render. By the law of 1850 the allotment of dividends to the shareholders, before the participation of the State in the profits, was 6 per cent, and the amount of the participation of the State above this dividend was one-sixth. As pointed out in the Senate report of the Chevalier Descamps, the lightness of the tax was based upon the fact that the future of the institution was not yet firmly established. By the law of 1872 the limit of the dividend allotted to the shareholders before the participation of the State was left at 6 per cent. The share of the State above that amount, however, was increased from one-sixth to one-quarter. This increase was considered in a measure as a compensation to the treasury for the fact that the increase of the capital from 25,000,000 francs to 50,000,000 francs would require a larger amount for dividends to the shareholders and would therefore reduce the amount from which the share of the State would be derived. With a capital of 25,000,000 francs, the sum of 1,500,000 francs would be required for a divi-

dend of 6 per cent, while with the enlarged capital the dividend would require 3,000,000 francs.

A much more radical proposal was brought forward by the Government in 1898. This was in effect that the dividend allotted to the shareholders before division with the State should be reduced from 6 per cent to 4 per cent. The essential reason assigned by the Minister of Finance for this change, was the decline which had occurred since 1872 in the rate for the loan of capital. It was declared in the Senate report that the grant made to the State of an increased share in the profits was the more remarkable, as the general dividends of the shareholders of the Bank were inferior to the average of dividends declared in similar industries in the country. "It is not without interest to recall," declared the report, "that the actual quotations of the shares of the Bank are very near the level of those of 1872, while from 1850 to 1872 there was a considerable advance." The total allotments to the State under this clause, from the beginning of 1873 to the close of 1899, were 31,104,864 francs, which afforded an annual average of 1,152,032 francs ($223,000).[a]

The third important burden imposed upon the profits of the Bank is the requirement that the entire excess of profits derived from a discount rate above a fixed figure shall be paid into the public treasury. In this respect, as in the distribution of net profits, the law of 1900 was more exacting than prior laws. A law of May 5, 1865, had provided that there should be paid into the public treasury the amount of the difference between the discount rate collected by the Bank and the legal rate, which was

[a] Documents Parlementaires: 1900, p. 390.

then fixed at 6 per cent. The general law of December 20, 1890, changed this legal rate to 4½ per cent in civil matters and 5½ per cent in commercial matters.[a]

The law of 1872, renewing the charter, reduced the rate of discount beyond which all profits should be covered into the public treasury to 5 per cent. It was not without resistance that the Government prevented at that time the anticipation of the later reduction of 1900 to 3½ per cent. An amendment was offered by M. Balisaux, proposing that profits resulting from an excess of the rate of discount above 4½ per cent should be paid into the public treasury and that the Government should be left free to reduce the limit still further by authority of law, at the rate of half of 1 per cent at the expiration of five-year periods, until the minimum of 3½ per cent was reached.[b] If such a law had become immediately effective, the limit would have fallen to 4 per cent in 1878 and to 3½ per cent in 1883. The proposal of M. Balisaux was rejected with a vote of only 10 in the affirmative to 62 in the negative, leaving the minimum rate which he advocated to be considered again at the renewal of the charter in 1900.[c]

The rates for circulating capital in Europe were so low, except at periods of special stress, that there were only six years from 1873 to 1897 in which the discount rate of the National Bank was at any time above 5 per cent. The largest amount collected under this tax was in the year immediately following the renewal of the charter, when the crisis of 1873 caused pressure in the international

[a] Documents Parlementaires: 1900, p. 393.
[b] Documents Officiels· 1872, p. 171
[c] Ibid., p. 434.

money market. The amount then paid into the public treasury under this clause was 1,336,338.80 francs, which was more than the entire amount collected in each of the other five years before the rate at which the treasury became a participant was changed. The amount thus paid into the treasury in 1874 was 340,834.62 francs; in 1881, 268,302.77 francs; in 1882, 164,017.16 francs; in 1888, 83,218.72 francs; in 1889, 18,484.13 francs; and in 1899, 118,986.72 francs. The total of these payments for all the years under the operation of the charter of 1872 was 2,330,182.92 francs ($450,000).[a]

The change proposed by the minister and adopted in 1900 was based in a considerable measure on the low rates for the use of money which prevailed during the closing decade of the nineteenth century. It was declared in the report of the Minister of Finance that "this measure is imposed by the reduction in the rate for money if the intentions of the legislators of 1872 are to continue to be realized." The motives of the change were set forth somewhat more fully by Senator Descamps, who declared that when the discount rate was raised to an abnormal figure it was important that the action of the Bank should be free from suspicion. He added that "the significance of the provision could not escape anyone and would be received, especially by commerce, with marked satisfaction, as a pledge of the firm determination of the Bank to do all which lay in its power to maintain discount at favorable rates while it was practicable, even at the price of considerable sacrifices." [b]

[a] Documents Parlementaires: 1900, p. 534.
[b] Ibid., p 393.

Changes in the condition of the international money market made collections on account of the excess discount rate much larger than was anticipated. For the nine years prior to 1899, just before the new charter was voted, the discount rate had never risen above 4 per cent and had been, except for a total of eighty-six days, continuously at 3 per cent or less. The growing stringency in the money markets resulted, however, in a rate of 4 per cent or higher during the entire year 1900, and the collection of excess discount taxes to the amount of 2,254,663 francs ($435,000). The Government received nothing from this source during the years 1902 and 1904, and only 388,115 francs in 1901, and 264,505 francs in 1903. The year 1905, however, witnessed such pressure in the money market that the proceeds of the excess discount rate paid into the public treasury were 471,269 francs; which rose in 1906 to 2,025,989 francs, and in 1907 to 7,002,541 francs, which was supplemented during the early part of 1908 by collections of 1,258,706 francs. The total collections during the nine years ending with 1908 were 13,665,788 francs ($2,635,000).

While the measures of the Government as set forth above were adopted in the renewal of the charter in 1900, they were not acceptable in principle or in detail to the Socialist minority of the chambers. M. Denis declared, in opening the discussion of the subject in his report, that the profits of the National Bank had not obeyed the historical law by which interest and profits tend to fall—a law which was evidenced by the course of public funds and the investments of the savings bank.[a]

[a] Documents Parlementaires: 1900, p. 76.

He sought to demonstrate this by a table showing that the dividends paid per 100 francs by the Bank, while they had not been constant, were above 10 per cent in 1897, and had been lower than this as far back as 1876 and only occasionally higher, while the rate of return on the investments of the savings bank had shown an almost uninterrupted tendency to fall. His figures for representative years are as follows:

Interest rates and dividends of the Bank.

Year	Rate on savings-bank investments	Bank dividend per 100 francs.
	Per cent.	*Francs.*
1874	4.20	14.25
1875	4.27	11.38
1877	4.07	8.55
1880	4.17	10.00
1882	4.00	13.00
1885	3.90	10.28
1890	3.48	10.95
1892	3.47	9.23
1895	3.29	8.95
1897	3.29	10.38

M. Denis pointed out that if the Bank suffered some reduction of profits from the decline of discount rates in Belgium, it was compensated in a large measure by the increase in the proportion of foreign bills which had taken the place of coin in the reserve. He submitted figures showing that, while the metallic reserve had remained substantially constant over a period of twenty years, from the close of 1877 to the close of 1897, the holdings of foreign bills had almost uniformly increased, except on a few occasions when they were being put to use to strengthen the position of the Bank. The profit

derived from the discount of Belgian paper had not increased in amount materially, in spite of increase in volume, but there had been a marked increase in the profit derived from the holding of foreign bills. Figures for representative years from his table are as follows:

Earnings from discounts.

December 31—	Metallic reserve.	Foreign bills held.	Earnings on Belgian bills.	Earnings on foreign bills.
	Francs.	*Francs.*	*Francs.*	*Francs.*
1877	100,300,000	50,400,000	5,387,194	1,363,100
1880	97,500,000	55,700,000	5,873,713	1,240,262
1885	104,300,000	74,800,000	5,878,830	1,431,032
1890	101,600,000	74,500,000	6,743,534	2,321,727
1895	99,900,000	107,400,000	5,158,199	1,656,651
1896	100,700,000	101,700,000	5,884,419	2,116,807
1897	103,000,000	120,400,000	6,884,816	2,510,092

Professor Denis rejected entirely the basis of calculation adopted by the Government in the division of profits between the Bank and the State. He declared that a conception of the subject based upon principle was entirely lacking in the government plan, and that the tax on circulation and the division of profits were two proposals of an entirely different character, having no organic relation with each other. He inquired if there was not a danger in interesting the State in an issue of bank bills without limit, in the situation and with the tendencies which actually prevailed? He suggested that the true basis of a division of profits was the relation which was borne by the part contributed by the Government and the public on the one hand to the actual capital and reserve belonging to the shareholders on the other. Starting from this premise, he computed the current accounts and the excess

of circulation above the reserve at 487,000,000 francs. This amount bore to the 80,000,000 francs of capital, reserve, and dividends of the Bank a relation of 86 to 14. He proposed to allot a minimum interest of 4 per cent to capital and reserve and to add 200,000 francs as a premium against losses on commercial paper. Upon this basis the total profits during 1897 of 8,421,401 francs would, after the dividend allotment to shareholders of 4 per cent and the premium against risks, amounting to 3,200,000 francs, leave a surplus of 5,221,401 francs. Under his proposed system of division the allotment of 14 per cent to the shareholders would give them 730,996 francs, or a total (with the dividend) of 3,930,996 francs ($759,000), while the 86 per cent of the surplus profits assigned to the State would carry its proportion to 4,490,405 francs ($867,000), instead of the allotment of 2,289,397 francs ($442,000) given by the proposed law.[a]

The stamp tax paid upon notes was originally collected under a general law which required each note before being issued to pay a tax of 5 centimes per 100 francs (about 1 cent for $20). This provision, proving cumbersome in practice, was superseded by the law of September 10, 1862, which took effect on October 1 of that year. This law provided for the payment of the tax at the end of each year at the same rate (50 centimes per 1,000 francs) upon the average of the notes actually in circulation during the year. This made the tax an annual one upon the entire issue, instead of a specific tax upon each note, without regard to the term of its circulation. To offset the increase in the burden thus imposed upon the

[a] Documents Parlementaires: 1900, p. 81.

bank, it was provided that for the first five years under the new régime there should be deducted from the tax one-fifth of the amount collected during the five previous years.

The average paid under this provision down to the discussion over the renewal of the charter in 1872, was 83,888.20 francs ($16,200). In view of these figures, it was proposed at that time by M. Malou, the Minister of Finance, to compound with the Bank for an annual payment of 84,000 francs a year for ten years from January 1, 1873. The proposal of this fixed limit, over a period likely to be marked by an upward movement in the circulation, was considered as a partial compensation to the Bank for the abandonment of the proceeds of discount above 5 per cent. It was declared that in enjoying by degrees the diminution of the tax on notes, the Bank was morally obligated to incur the expense necessary to renew the notes more frequently when they came in somewhat worn, if even it should not be able at some time, like the Bank of England, to replace every bill received by an entirely new one. The committee, however, decided in favor of continuing the system of a tax of 50 centimes per 1,000 francs on the average of the actual circulation, and this provision ultimately prevailed.[a] The amount entered in the profit and loss account for 1907 on account of the stamp tax was 371,702.37 francs ($71,750).

SERVICES PERFORMED BY THE BANK FOR THE STATE.

One of the chief purposes of the creation of the National Bank of Belgium was to afford a safe and sympathetic

[a] Noel, I., p. 528–529.

organ to the Government for carrying on the fiscal operations of the Treasury. The original charter contained the following simple provisions on this subject:

"ARTICLE X.

"The Bank shall act as cashier for the State under conditions to be determined by law.

"ARTICLE XI.

"If a savings bank shall be established, the Government reserves the right to have it managed by the Bank. This service shall be distinct and independent from the business of the Bank and its organization shall be the subject of a law."

The act passed in conformity with the first of these provisions became law only five days after the adoption of the charter of the new bank. It was brief and general in character, containing only nine articles and leaving details to be incorporated in the statutes of the Bank by agreement between the Bank and the Government. The first article simply confided to the Bank the service of cashier for the State and subjected the Bank to the supervision of the court of accounts, which the Société Générale had resisted. It was provided that the Bank should establish an agency in the chief town of every judicial district and in additional localities where the Government should consider it necessary in the interest of the treasury and of the public. The agents of the Bank are named by the King from a double list of candidates presented by the administrative council of the Bank. They are required to furnish bonds in the form of real estate or

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public funds, but are paid entirely by the Bank.[a] The books relating to the treasury service are kept by methods prescribed by the Government and are subject to inspection by representatives of the Ministry of Finance. Two important provisions regarding the administration of the public funds by the Bank are set forth in the consolidation of various laws proclaimed by King Leopold on August 7, 1900, embodying the changes made by the law of March 26, 1900, extending the charter. These provisions are as follows:

"ARTICLE VII.

"The National Bank shall perform gratuitously the service of cashier for the State. The Bank shall bear all expenses of management, of material, of transportation, and of transfer of funds, and shall share in the expenses of the treasury in the provinces to an amount of 230,000 francs annually. This amount shall not be increased at the revision of the convention provided for by Article IX of this act.

"The available funds of the treasury in excess of the requirements of the service shall be invested by the Bank in commercial securities. The Bank shall be guarantor for the securities acquired or set aside for account of the treasury."

The ninth and last article, above referred to, provides that the convention between the Government and the Bank shall be subject to revision every ten years.

The first arrangement between the Bank and the Government allotted to the Bank for its services a compen-

[a] Ulens, Les Banques d'Émission, p. 364.

sation which should not exceed 200,000 francs per year and from which it must meet all expenses of management, material, transportation, and transfer of funds. It was not until the eve of the renewal of the charter in 1872 that it was provided that this service should not only be performed gratuitously, but that the Bank should bear a share of the cost of the treasury service in the provinces to an annual amount of 175,000 francs ($33,775). Already, during the negotiations for the new charter, a new convention was concluded between the Minister of Finance and the Bank on November 30, 1870, which provided that from January 1, 1871, to December 31, 1875, the change above referred to should be made. The minister based his demand for this concession upon the advantages which the Bank had derived from the increase in the treasury balance. The Bank thought proper to submit to this new obligation "in order to maintain the harmonious relations which had always existed between itself and the Government."[a]

The law of May 20, 1872, sanctioned this change and provided that the payment of 175,000 francs should not be increased so long as the Bank should be charged with the functions of cashier. A later law of July 17, 1872, required that in all localities where an agency of the Bank should be established there should also be an agency of the treasury, specially charged with the control of receipts and expenditures. A further increase was made at the renewal of the charter in 1900 in the amount contributed by the Bank toward the expenses of treasury administration, carrying the amount to 230,000 francs ($44,400).

[a] Noel, Banques d'Émission en Europe, I, p. 551.

Under the authority of these provisions the Bank receives payments and makes disbursements on account of the Government at all its agencies. It is charged with the custody of the public funds of the treasury, of the sinking fund, and of the deposit and consignation fund, and with the services which are connected therewith. It is also charged with the receipt of securities of the public debt destined to be registered or converted into securities to bearer. It collects the coupons of securities of which it has the custody for different state funds and carries the proceeds to the proper account.

Payments are made by the representatives of the Treasury in the Bank only with the approval of a treasury agent, who countersigns the receipts of all collections effected by the agent of the Bank and who alone has the responsibility of all payments made by the Bank. The latter is not responsible for the standing of the claims. The indorsement, "noted, payment approved" (vu, bon à payer), affixed by the agent of the treasury, protects the Bank completely and transforms individual drafts into paper payable to bearer.[a]

A ministerial order of October 20, 1868, modifying the order of December 5, 1850, directed the agents of the treasury to assign to the offices of the National Bank payments in the following cases:

"1. Expenses of the State, including fixed expenditures, expenditures submitted to preliminary liquidation, and expenditures based upon open credits;

"2. Special expenses of the State—that is, expenses relating to the special funds for pensions and saving (pré-

[a] Noel, I, p. 553.

voyance), disbursements from provincial and from local funds;

"3. To note the payments made into the hands of the agents of the Bank in its capacity as cashier of the State."

The agents of the treasury can make drafts upon the agents of the Bank only by virtue of authorizations emanating from the Department of Finance, except in the case of drafts (mandats) issued by the administrators of the savings bank of primary teachers. The Minister of Finance advises the Bank of the opening of credits on the public treasury and indicates the localities in which such payments may be effected. He informs the Bank of the issue of orders for the return of securities deposited in its custody. Such a notice is not required for securities which belong to the sinking fund or to the Bank of Deposits and Consignations. The coupons of public loans are payable at all agencies of the Bank without the opening of a credit.

On the 10th and 25th of each month the administration of the Bank addresses to the Minister of Finance an account of receipts and disbursements up to the expiration of the previous half month and also an account of the obligations of the public debt and other securities received and delivered. In the month of January the Bank submits in triplicate to the court of accounts through the intermediary of the Minister of Finance the account of its operations on behalf of the treasury during the preceding year. This account is divided into two parts, of which one sets forth by agencies the operations in money and the other the operations in securities.

The agents of the Bank meet the general expenses of the State and the provinces upon warrants signed by the agent

of the treasury in the proper district to the amount of the credits opened by the Minister of Finance or in his name, of which the Bank is previously advised. Payment is made without the intervention of the agent of the treasury, but only after previous advice either of the issue of drafts, the opening of credits, drafts to order delivered by the minister, drafts to bearer delivered by the treasury, credits which are opened by the service of the sinking fund and the Bank of Deposits and Consignations, and, finally, interest coupons of the public debt and other securities to bearer representing interest payments.

The agents of the Bank keep a separate account of their operations for the service of the Government. They keep for this purpose a journal of receipts, a journal of disbursements, a ledger, and a record of funds held at the disposition of the agent of the treasury. Copies or extracts from these books are sent weekly or monthly to the agent of the treasury. There is also remitted to the agent of the treasury a list in duplicate of obligations paid upon his signature on the morrow on the day of payment. A copy of this list, indorsed with an acknowledgment of its reception, is sent back by the treasury agent to the agent of the Bank. Every fifteen days these lists are exchanged for a receipt detached by the agent of the treasury from a duplicate register. On the same dates the agents of the Bank are required to send also to the agent of the treasury the papers showing payments which have been made in matters which do not require his signature.

In order to promote the convenience of both parties, the agents of the Bank and of the State are usually established in the same building or in close relations with each other.

The criticism has been made in some quarters that the relationship is too close between the State and the Bank, and that the credit of the Bank would suffer if the credit of the State were attacked through violations of the neutrality of Belgium or from other causes. It was declared in the debates of 1872, by M. Couvreur, that the serious dangers to which the Bank had been exposed in 1870 had arisen solely from the close connection between the Bank and the State created by the law of 1850. Summing up the multiplicity of services performed by the Bank in its relations with the treasury, a historian of the bank declares:[a]

"Such are the functions which the organic laws have imposed upon the National Bank of Belgium. In fine, this establishment is a true cashier of the State, while the agents of the treasury are only simple bookkeepers, having nothing to do with the handling of funds. Taxes and imposts of all sorts are collected by particular officers, receivers of direct taxes, customs, excises, taxes for registration, for successions, lands, right of navigation, guardians of mortgages, collectors for the post-office and the telegraph, and station masters of the State railways; but the proceeds, garnered up by the agents of the treasury, are paid immediately to the agent of the cashier of the State—that is, into the vaults of the National Bank.

"The responsibility of the Bank is from this fact considerable, but it bears only on the substance of the cash belonging to the State. The latter reserves the responsibility of the bookkeeping, without which the Bank is neither able nor ought to pay, and it is represented in this

[a] Noel I, p. 556.

respect by thirty principal agencies, determined by the judicial or administrative districts, and by auxiliary agencies."

The manner in which direct disbursements and receipts by the Bank on behalf of the treasury have grown during the last forty years is indicated in the table below. The reduction in the balance after 1870 is due to the agreement made in 1872 by which the excess of the treasury balance above current needs should be invested by the Bank in foreign bills for the account of the treasury.

Transactions for the Treasury.

Year.	Receipts.	Payments.	Balance, Dec. 31.
	Francs.	*Francs.*	*Francs.*
1868	275,500,000	262,900,000	89,400,000
1870	262,200,000	285,700,000	57,100,000
1875	459,700,000	467,600,000	33,600,000
1880	801,100,000	804,100,000	27,000,000
1890	1,100,100,000	1,100,300,000	28,200,000
1900	1,895,554,000	1,906,495,000	13,469,522
1905	2,369,330,000	2,370,181,000	21,171,279
1906	2,655,735,000	2,655,998,000	12,935,285
1907	2,790,284,000	2,021,621,000	19,429,990
1908	2,767,600,000	2,868,150,000	12,151,531

In addition to direct receipts and disbursements on the current account of the treasury the National Bank performs many other functions. It acts as registrar and transfer office of the national debt, and is custodian of bonds given by public officials and of various special funds established by the Government, like those of the Postal Savings Bank. These functions impose upon the Bank heavy burdens and large expenditures. It was declared by M. Pirmez, in his report to the chambers in 1872, that the annual value of the benefits derived by the State from

the operations of the Bank represented more than a half million of francs ($96,500).[a] If this was the case in 1872, when total disbursements and receipts footed up to 683,600,000 francs ($132,000,000), the benefit to the State and the consequent cost to the Bank have since been multiplied many times. Total receipts and disbursements in 1899, which represented the latest figures available at the time of the discussion over the charter in 1900, were 3,375,000,000 francs ($651,500,000), or about five times the amount when M. Pirmez made his report in 1872. This might not in itself indicate an increase of the charges by a corresponding ratio, but in other fields the increase in the burdens imposed upon the Bank showed a still larger proportion of increase. A special report on the services rendered by the Bank to the State was made by the governor to the general council on May 29, 1897, in which he declared that half of the great hall of the Bank was exclusively devoted to the public service, which required not less than a dozen wickets. Giving a graphic idea of the daily routine in the Bank, the governor continued:[b]

"The other half of the hall is reserved to the operations of the Bank for its own account. There notes are exchanged for specie and specie for notes. There discounters come to return the receipts delivered in exchange for their documents; there also checks are settled, current accounts dealt with, and all drafts are paid. In spite of this multiplicity of varied services, the congestion is in general less than at the windows where operations are

[a] Documents Officiels: 1872, p. 35.

[b] Documents Parlementaires: 1900, p. 220.

carried on for account of the State. There, at the periods of the maturity of the coupons of the public debt, of the annuity bank (Caisse d'Annuités), of communal credit, and of the local railways, on the eve and the morrow of settlements for the Government, at the moment of pension payments, the influx is such that the guards established for supervision of the matter are compelled to insist that everyone take his place at the different wickets in the order of arrival. If, as often happens, there are added to these numerous operations the payments on account of the public offices, the post-office, and the railways, or even the deposit of securities on account of the Bank of Deposits and Consignations, it requires all the coolness and intelligence of our force to prevent difficulties, errors, and complaint."

Undertaking to sum up some of the costs to the Bank of this service, it was pointed out that those agencies in which there was no discount office imposed an expense without any compensating profit. In addition there was at Brussels a public cashier, having under his orders a group of functionaries and employees all paid by the Bank, but occupied with nothing else than this service. Moreover, this force would be absolutely inadequate if at every moment the management did not detach from the forces of the Bank a certain number of employees and collectors, who lent their aid on the days when the need assumed unexpected proportions, like the days when it was necessary to classify securities, detach coupons, and receive payments of notes, silver, and nickel. Comparing conditions in 1896, the latest year then available, with those of earlier years, it was declared that the number of coupons

paid in 1870 amounted to only 349,314, while in 1896 the number was 1,242,257, for a total amount of 16,870,382 francs. The progression was hardly less rapid during the twelve years after 1896, the number of coupons paid in 1908 on all classes of obligations rising to 3,266,620. In addition to these coupons paid over the counter, there were detached from securities deposited in government funds in 1908 coupons to the number of 1,592,700.

The special report of 1897 declared that the conversion of the 3½ per cent debt and the 3 percents had occasioned a movement of more than 2,000,000,000 francs in securities of the Belgian debt and that the renewal of the coupons of the annuity bank had caused a movement of more than 50,000,000 francs. The law of September 11, 1895, authorizing pensions to be paid monthly, had resulted in the presentation of 10,000 additional orders at Brussels alone. The Bank had been compelled to construct new deposit boxes to guard the numerous securities confided by the State to its care. According to the balance sheet of December 31, 1896, deposits of public funds on Government account already amounted to 1,011,125,354 francs. This amount had increased on December 31, 1908, to 1,752,298,028 francs.

The increase in the service of the debt was a natural consequence of the increase in public obligations. Down to 1873 the debt of Belgium consisted chiefly in about 500,000,000 francs in 4½ percents. By 1899 the total of the debt had risen to 2,369,000,000 francs, partly from the fact that the Government assumed the debt of the railway trunk lines which were taken over by the State. Special issues for local railways, the Congo, and various

public enterprises not only increased the amount of the debt, but greatly added to the complications of registration, transfer, and payment of coupons.[a]

In spite of the large part played by treasury operations in the business of the Bank, it remains to be said that the Government has never yet felt compelled to abuse its influence over the Bank to extort large loans. One of the questions addressed to the Government by the central section of the chambers, pending the renewal of the charter in 1900, was whether the State was a borrower from the National Bank. The answer of the Government was simple and direct:[b]

"The State does not borrow from the National Bank. The Government possesses no other authority to borrow than that inscribed in the regular budget or in special laws, i. e., by the issue of securities of the public debt or by the negotiation of treasury bonds. The employment made of these authorizations is set forth in the statement of condition of the treasury and the accounts of the administration of finance, distributed annually to the members of the legislative chamber. Under authority of its statutes the Bank may discount to a maximum of 10,000,000 francs treasury bonds issued in virtue of the authority above set forth. Article 27 of the statutes of the Bank provides that 'the conditions of discount for treasury bonds shall be, as to rate and time, the same as for commercial paper.' The treasury bonds thus discounted by the Bank are included in the domestic assets."

[a] Documents Parlementaires: 1900, p. 450.
[b] Ibid., p. 189.

It was not admitted by the critics of the Bank, however, that these services to the State had been performed without both direct and indirect compensation. In an elaborate analysis of the subject in the debates in the chamber, M. Grimard declared that when the Bank dealt with the State it forgot that it owed to the latter everything; for when the State made a bank its cashier the Bank by that fact acquired a considerable moral force in the public eye. The treasury itself kept a balance on current account, which on December 31, 1898, stood at 47,000,000, francs ($9,071,000).[a] Interest upon this sum, computed at 3.30 per cent, would afford a profit of 1,424,100 francs ($274,850). In the case of the savings bank, moreover, the Bank collected a twentieth part of the proceeds of loans on pledges. Such loans in 1897 were 94,400,000 francs, upon which interest at the rate of 4 per cent amounted to 3,776,000 francs, of which the Bank took 188,800 francs ($36,300). For the commission charged when loans by the savings bank were made through the discount offices also, M. Grimard computed earnings by the Bank of 110,506 francs ($21,330), making a total (with another small item) of 321,106 francs ($62,000). The Bank profited also from its alleged gratuitous services to the public in the sale of drafts by the balances of money always in its hands.[b]

[a] This figure was rather exceptionally high. The average balance during 1898 was 29,053,979 francs. The balance on December 31, 1904, was 22,022,462 francs and the average for 1904 13,555,006 francs; the balance on December 31, 1908, was 12,151,531 francs and the average for 1908 18,985,039 francs.

[b] Discussions Parlementaires: 1900, pp. 72–80.

INVESTMENTS ON BEHALF OF THE TREASURY.

The Government of Belgium, not content with imposing upon the National Bank the gratuitous performance of all services required in treasury operations and the management of the public debt, requires the Bank to invest for the profit of the treasury any surplus in the government balance above actual current needs. The point at which such investments are taken up is when the treasury balance exceeds 5,000,000 francs. The investment is required to be made, not in long time obligations, but in commercial paper. The bank is authorized to make the selection of the paper in which the public funds are invested, but is required to guarantee its value to the treasury. An arrangement with the Government on July 17, 1872, prescribed that the investment was to be made in general in purchase of commercial securities drawn on foreign countries, payable in cash, but that it might be made under some circumstances in domestic paper. While the Bank guarantees the payment of the securities, the government permits losses as well as profits resulting from exchange to be charged to the account. It also permits the inclusion of cost of insurance, transfers of specie, commissions paid to foreign houses and commissions paid to discounters or other intermediaries to which the Bank may have recourse.[a]

This service in itself has become of considerable importance and has imposed serious labor upon the Bank. In the report of the Chevalier Descamps in 1900, the receipts for 1899 on account of transactions of this character for the treasury were stated at 379,652,858 francs and dis-

[a] Documents Officiels: 1872, p. XXVII.

bursements at 378,053,332 francs ($73,000,000). The balance to the credit of the Government on December 31, 1899, was 31,340,401 francs ($6,050,000), consisting of paper held at Brussels to the amount of 23,424,986 francs and balances with foreign correspondents to the amount of 7,915,415 francs.[a] The investment of this considerable sum affords the treasury a respectable profit, in addition to the taxes and participation in the profits of the Bank which are based upon general law and the provisions of the charter. The profits realized from the operations of 1899 were 640,343 francs ($123,500). The balance of this investment fund and the profit to the treasury have been in recent years as follows:

Profits from treasury investments.

Year.	Balance, Dec. 31.	Profit for year.
	Francs.	*Francs.*
1905	34,791,309	1,022,200
1906	44,557,861	881,800
1907	2,435,659	790,000
1908	37,814,692	730,000

SERVICES PERFORMED FOR THE GENERAL SAVINGS BANK

It was provided by Article XI of the original charter of the National Bank that if a general savings bank should be established, the Government reserved the right to have its operations carried on through the National Bank. The proposal to establish a savings bank was realized by the law of March 16, 1865, which provided also for absorbing into the new institution the retirement fund established by a

[a] Documents Parlementaires: 1900, p. 453.

law of May 8, 1850. The Government was authorized to make an advance of 50,000 francs for the initial expenses of the savings bank and later, by the laws of March 26, 1866, and December 28, 1867, opened new credits with the same object to the amount of 150,000 francs.

The Belgian institution was framed upon different models from the savings banks established in France and England. It aimed not merely to implant the principle of economy, but sought to surround the withdrawal of deposits with such formalities and disadvantages as would deter depositors from making unwise use of their savings after they had been accumulated. As inducements to leave money with the Bank, the law admitted depositors to a share in the profits which might accumulate in excess of the interest regularly allotted. The Government was authorized after each five-year period to divide a part of the reserve fund among the accounts existing for at least a year and derived from the earnings of the previous five years.[a]

In order to realize satisfactory profits, moreover, investments were made not wholly in securities of the public debt, but in mortgages and commercial loans. In discussing the progress of the Bank in 1872, M. Frère-Orban declared that it had even then a sum of 25,000,000 francs which was at the disposition of landowners, manufacturers, and merchants for operations which were outside the scope of the National Bank, because they were securities not distinctively commercial and had a longer term than that prescribed for the assets of the Bank.

[a] Noel, I, p. 565.

This exceptional character of the savings bank investments has imposed upon the National Bank a large amount of labor in seeking and scrutinizing proper investments, attending to collections and renewals, and otherwise performing banking functions for the savings bank. The savings bank funds have been used in the development of such economic works as the Crédit Foncier (land bank) and the Society of Working Men's Homes.[a] Something has been accomplished also in the promotion of agricultural credit banks.

By a decree of March 25, 1891, the governing board of the savings bank fixed the rate and general conditions of loans to be granted to individuals, associations, provinces, and communes for the construction and purchase of working men's houses. Under the influence of the savings bank a great number of societies of working men's houses have been founded and form an intermediary between the working men and the Bank. The latter advances funds at an interest rate of 2½ per cent for the credit societies which accept the supervision of the Bank and at 3 per cent for others. These credit societies are those which refrain from direct ownership of fixed property, but promote by way of loans the construction and purchase of houses. The savings bank provides also for insurance for the fulfillment of such contracts. On December 31, 1906, the savings bank had advanced to 128 societies of credit 91,190,037 francs ($17,600,000) and to 43 building societies 4,763,880 francs ($920,000).[b]

[a] Ulens, p. 370.

[b] Annuaire Statistique de La Belgique, 1907, pp xxxiv–xxxv.

The National Bank has been the custodian of the securities owned by the savings bank or upon which loans have been made, and the work involved in handling the business has been considerable. The savings bank has had a cash balance at the National Bank which is merged in the balance sheet with other current accounts. The amount of this balance varies from time to time according to the excess of receipts or payments on savings bank account. The amount on December 31, 1899, when the extension of the charter was under discussion, was 4,458,633 francs. The amount on December 31, 1908, was 8,807,463 francs. The securities in the custody of the Bank, however, including mortgages, bonds, and foreign bills, have tended to increase with the growth of the deposit liabilities of the savings bank. The growth of the latter is indicated in a summary manner by the following table:

Growth in deposits of the savings bank.

December 31—	Accounts.	Total deposits.
		Francs.
1880	200,565	125,098,287
1890	731,057	325,415,412
1900	1,757,906	661,507,886
1905	2,311,845	785,704,576
1906	2,419,710	812,092,923

Only a portion of this liability is represented by securities in the custody of the National Bank, because a considerable part has been converted into securities held by depositors. The value of securities of various sorts, including commercial paper and foreign bills, in the custody of the National Bank increased, however, from 152,934,897

francs on December 31, 1898, to 234,322,680 francs ($45,220,000) on December 31, 1908.

In a special report made by the governor of the National Bank to the general council of the Bank on May 29, 1897, it was pointed out that the securities held for the savings bank increased from 22,641,338 francs on December 31, 1872, to 143,202,268 francs on December 31, 1896, multiplying by six times the volume of labor imposed upon the Bank. In a report of an earlier date in the same year, it was declared that the receipts and disbursements in the provinces on savings bank deposit books represented in 1896, 340,250 operations, involving a movement of 127,452,000 francs. Including receipts and disbursements at Brussels, the total of operations on account of the savings bank amounted to 538,252,000 francs. Moreover, paper had been discounted at the National Bank for account of the savings bank to the number of 20,000 pieces, representing a value of 406,700,000 francs. It was necessary for the National Bank to verify the documents in such cases discounted at Brussels, those discounted by the comptoirs, and those remitted by foreign correspondents. The report continued:[a]

"The Bank is compelled to note if each piece of paper is regularly drawn, accepted, indorsed, and stamped. After all these verifications by the discount division, the securities are deposited in distinct compartments of the service. They are withdrawn at maturity to secure collection either at the head office, at the agencies abroad, or by the post, all being done according to papers prepared by the National Bank. Double operations, therefore, of

[a] Documents Parlementaires: 1900, p. 230.

entry and outgo, have to be each time examined, verified, and audited, giving occasion for a movement of more than 800,000,000 francs. But of all the services of the savings bank, that which has increased in the most sensible proportion is that of loans on public funds. Ten years ago (1886) the Bank effected for the savings bank 900 loan operations for 21,600,000 francs. In 1896 the number of operations had risen to 5,650 and the amount of the loans to 103,500,000 francs ($20,000,000). Here again the National Bank is, without any aid, giving its efforts to the operations which are carried on. It is in our bureaus that contracts are framed which are sometimes very extended, in view of the long enumeration of securities pledged. It is the Bank which preserves the duplicates, verifies the securities deposited, and assumes the custody of them. Besides these recorded documents which the savings bank possesses, it has assets consisting of bonds of credit establishments, railways, industrial and other corporations, all payable to bearer, which form one of the elements of its definitive investments. These assets, on December 31, 1896, amounted to 168,529,710 francs. It is the Bank which has the custody of them and the importance of these holdings is steadily increasing, and is one of the causes which have decided us to ask the necessary credit for the construction of a second vault. * * * The savings bank does not see a single paper, does not handle a single security. Absolutely everything is done through the intervention of the National Bank."

In spite of these great services rendered by the National Bank to the savings bank, a determined effort was made at the time of the renewal of the charter in 1900 to impose

further obligations upon the National Bank. An amendment was moved by M. Bertrand that the National Bank should allot to the savings bank interest at the rate of 2½ per cent on the amounts which stood to the credit of the savings bank in current account at the National Bank. It was declared by M. Bertrand that the Bank, which already made enormous profits, could well afford to pay a modest interest upon the capital derived from the investment of funds made by the poor and humble. It was admitted that the settled policy of the National Bank was not to pay interest on current accounts, but as an exception had been made in favor of the current account of the administration of hospitals, it was argued that a similar exception should be made for the account of the savings bank. It was contended in reply, by M. Liebaert, Minister of Industry and Labor, that the current account of the savings bank was kept in the National Bank merely to make payments and remittances and could not be profitably converted to the use of the National Bank.[a] The amendment was rejected by a vote of 18 to 65.[b]

THE MONETARY EXPERIENCE OF BELGIUM.

The management of the National Bank of Belgium has necessarily been influenced to a large degree by the monetary experience of the country. This experience has covered the period of marked variations in the ratio between gold and silver which began with the great gold discoveries in Australia and California and turned in the

[a] Discussions Parlementaires: 1900, pp. 572–575.
[b] Ibid., p. 594.

contrary direction about 1867. The difficulties of Belgium were increased by the fact that her monetary system was the same as that of France and was, therefore, subject to many of the vicissitudes which affected the French monetary system.

Belgium adopted the French system of decimal coinage by the law of June 5, 1832. The monetary unit was declared to be the coin of 5 grams of silver, nine-tenths fine, called the franc. Provision was made for gold coins, and both French gold pieces and silver 5-franc pieces were made legal tender in Belgium. Under the conditions which then existed, by which silver was made the less valuable metal at the coinage ratio, the actual circulation of Belgium consisted of silver. Gold coins were rarely seen. It was not until 1847, three years before the creation of the National Bank, that the Belgian Chambers adopted a series of measures looking to the introduction of gold. The gold coinage was to be issued, however, only by the Government and was limited to 20,000,000 francs. By a law of March 4, 1848, the legal tender quality was given to the English sovereign at a nominal rate higher than its value as bullion. This resulted in the importation into Belgium of English sovereigns to the value of about 30,000,000 francs and the exportation of a corresponding amount of silver.[a]

The time was approaching when the output of the Californian mines was to make gold the cheaper metal at the coinage ratio. The legal tender quality conferred upon English sovereigns was hastily repealed on September 28, 1849, and within less than a year (June 14, 1850) the legal

[a] Willis, A History of the Latin Monetary Union, p. 17.

tender quality was withdrawn also from Dutch gold pieces of 10 florins. This was followed on December 28, 1850, by still a third law, which deprived of legal tender quality French gold in use in Belgium. This was largely a formality, as neither French nor Belgian gold was in circulation. Silver was recognized as the sole standard, the coinage of gold ceased, and a royal decree of August 11, 1854, demonetized the gold coins struck under the law of March 31, 1847, and provided for covering them into the treasury for taxes.

Belgium was thus planted, with apparent firmness, upon the silver basis; but natural economic law was presently to overturn this policy and make her again a gold country. The change was the result of the depreciation of gold, following the output of the new mines. Gold was pouring into France and silver was being withdrawn for conversion into bullion, because silver coins had become worth more than their face value at the coinage ratio. New Belgian silver coins were withdrawn from circulation, like the new French coins. The abraded coins of France at first found their way into circulation in Belgium, but even they soon began to be withdrawn for the bullion market and a scarcity of silver, even of subsidiary coins, began to be felt. France having practically attained a gold standard because gold was the depreciated metal, it was difficult for Belgium to adhere to a different monetary system. Hence arose the law of June 4, 1861, by which Belgium again made French gold a legal tender and authorized the coinage of Belgian gold pieces according to the French system. The fluctuations between gold and silver now became less marked, but were sufficient to afford profit to the specu-

lators and to cause many difficulties to the National Bank. The geographical position of Belgium probably had an influence in exposing her to the vicissitudes of such a situation. It is declared by Willis:[a]

"Whenever a speculator found that the price of gold and silver was such that he could make a profit by shipping either metal to, or withdrawing it from, any of these countries of different standards, he made the Bank of Belgium the basis of operations, thus depleting its reserves or causing a plethora of coin as the case might be, as well as setting on foot a tendency to scarcity or redundancy of the circulating medium. In 1861 the gold reserve of the Banque Nationale sank suddenly from 22,000,000 to 7,000,000 and the silver reserve rose as sharply from 11,500,000 to 17,000,000, while the rate of discount fluctuated from 4.6 to 3 per cent. In December, 1862, the gold reserve was 17,000,000; in the following February it had sunk to 9,000,000, and in the April succeeding it was 5,000,000, while during the same time the reserve of silver 5-franc pieces had risen but 1,000,000. About the same time the Bank was forced temporarily to cease payment in silver 5-franc pieces, for a sudden contrary movement reduced the reserve of silver 5-franc pieces first to 5,000,000 and then to 2,000,000, and the rate of discount fluctuated between 3 and 6 per cent, which were the extreme limits. In 1865 the rate of discount rose from 4 to 5.8 per cent, following a corresponding movement in the reserve. During all this period the normal rate was from 2.5 to 3 per cent, so that the inconveniences undergone by the business public may readily be appreciated. Thus the reserves

[a] A History of the Latin Monetary Union, pp. 24–25.

of the Bank were now depleted on the gold and now on the silver side, and sometimes on both. This was rendered even worse by the method of restoring the reserve. A delay was usually unavoidable, and this was protracted as long as possible, until the rate of exchange was reversed, when it was profitable to send back the coin just withdrawn."

It was with a view to escape from such difficulties that Belgium was finally led to propose the formation of the Latin Union. She, in common with Italy and Switzerland, had adopted the decimal system of coinage, with the franc as the unit, but thus far there had been no cooperation among them as to the regulation of the circulation.[a] The disappearance of subsidiary coins, because of their high value in relation to gold, was met in Switzerland by a law of January 31, 1860, reducing the fineness of subsidiary coins from nine-tenths to eight-tenths. The Government of Italy by the law of August 24, 1862, adopted the fineness of 0.835 for its subsidiary silver. The French Government for some time hesitated to act, but finally, by a law of May 25, 1864, adopted the fineness of 0.835 for the small silver coins of 50 centimes and 20 centimes.[b] France had in the meantime, by a decree of April 14, 1864, refused

[a] Switzerland adopted the French system by the law of May 7, 1850; Italy by the law of August 24, 1862. Greece adopted the French system August 10, 1867, and applied for admission to the monetary union November 18, 1868. The papal government by a decree of June 18, 1866, adopted the French system, but was not formally admitted to the union—A History of Banking in All the Leading Nations, III, 349–352). Spain adopted the French system by the law of October 19, 1868, but did not become a member of the union; and it was adopted by each of the Balkan States after their emancipation from Turkey in 1878, but without becoming members of the union.

[b] Arnauné, La Monnaie, le Crédit, et le Change, 3d ed., p. 227.

to receive the Swiss coins at public offices, in order to stop their substitution for the more valuable French coins. Belgium was left without an adequate subsidiary currency and she made proposals early in 1865 to France to hold a conference of those countries which had adopted the French monetary system. The proposal was welcomed Italy and Switzerland soon indicated their acceptance, and the first convention of the Latin Union met in Paris on November 20, 1865.

The outcome of this conference (embodied in the convention of December 23, 1865) was the decision to adopt in all the countries of the union the ratio of 0.835 for the silver coins below 5 francs. It was decided to limit the output of subsidiary coins to 6 francs per capita of the population of each country. Direct action in regard to the metallic standard was avoided, although the adoption of gold was urged by the delegates of all the other countries upon France. In this discussion a Belgian delegate, M. Kreglinger, took the lead, declaring that the bimetallic régime subjected the various countries to an alternating standard which produced financial stringency by draining specie from the bank reserves and by thus forcing the banks to raise their rate of discount.[a] It was felt, however, to be largely an academic question, as gold had become in fact the standard and the principal medium of circulation since it had fallen below silver in value at the coinage ratio.

The provisions made by the convention in regard to the legal circulation of the coins in the countries other than those where they were issued are important, because

[a] Willis, p. 45.

they constituted to a large degree the essence of the agreement and it was the change in these provisions which nearly destroyed the union in 1885. Each of the contracting governments agreed to receive freely at its public offices the money coined by the other three States—without limitation as to gold and as to silver pieces of 5 francs, and to amounts of 100 francs ($19.30) as to the subsidiary silver pieces. The latter were to be legal tender, even within the country of issue, only to the amount of 50 francs. The circulation of gold coins was unrestricted. The states which issued them were under no obligation to redeem them, but they were receivable at par at the public offices of all the states except when reduced below the limit of tolerance. These provisions also extended to the 5-franc pieces of silver, and it was the insistence of France upon modifying them which caused the threatened rupture of 1885. In regard to the subsidiary pieces, it was provided from the first that they should be taken back by the issuing Government and paid for in gold or in silver 5-franc pieces, this obligation to remain in force for two years after the expiration of the treaty.[a]

The convention of 1865 thus left untouched the legal-tender quality and the free coinage of the silver 5-franc pieces; but as silver was undervalued at the coinage ratio none was being brought to the mints and the 5-franc pieces had all but disappeared from circulation. These conditions changed so radically when gold appreciated and silver fell below its legal value at the coinage ratio that the monetary position of Belgium became seriously disturbing to farsighted Belgian economists. The mistake was

[a] Arnauné, p. 228.

made of not suspending promptly enough the coinage of 5-franc pieces after it became clear that they had fallen below gold par. The minister of finance of the time, M. Jules Malou, hesitated to close the mint until the amount of silver coined had risen in 1873 to 111,704,795 francs ($21,560,000). The suspension of specie payments in Austria at about this time, and the exclusion of Austrian coin from Germany by the new German monetary laws, threatened to send nearly the entire mass of Austrian thalers to the Belgian mints for coinage. This fact finally decided M. Malou to take action; but even after the suspension of free coinage he allowed himself, during the next few years, to be seduced into the further coinage of 37,704,130 francs at the profit of the treasury, which later was converted into a heavy loss.[a]

M. Frère-Orban, an advocate of the gold standard, had moved a resolution as early as July 22, 1873, that the convention of the Latin Union be convoked; but the project was not accepted by the ministry.[b] M. Malou first limited the coinage of 5-franc pieces and finally secured a law from the Chambers (December 18, 1873) authorizing the limitation or suspension of the silver coinage until January 1, 1875. In the course of the discussion preliminary to the passage of this act, it was contended in some quarters that the adoption of the system of forced legal tender paper in Italy and France since the convention of 1865 had created conditions which absolved Belgium from her allegiance to the Latin Union.[c] This view was not, however,

[a] Ansiaux, Les Problèmes Actuels de la Circulation Metallique et Fiduciaire en Belgique, p. 6.

[b] Willis, p. 116.

[c] Ibid., p. 124.

adopted by the Government, nor was it urged at the convention of the Latin Union in 1874, at which suspension of the silver coinage was adopted as a general policy.

It was obvious that for the great mass of silver coin which had been issued in 1873 commercial use could not be found in Belgium. The fact that Belgian coins were accepted freely in France afforded an outlet there for considerable amounts; but Belgium could not escape ultimately responsibility for her monetary offspring. When, in 1885, silver had fallen to $48\frac{9}{16}$ pence, or about 20 per cent below par, a determined effort was made at the conference of the Latin Union to compel the redemption of the excess of 5-franc pieces in circulation by the countries which had issued them. The French Government, more powerful than all the other countries together, would not consent to the continuance of the Union, except upon the condition that, upon its dissolution, the other governments should pay back in gold the amount of the excess of 5-franc pieces found in the French circulation. This meant for Belgium so heavy an obligation that a rupture was threatened. The Belgian delegate protested strongly against the demands of France. The Belgian Ministry took an equally strong attitude and in the Chambers M. Frère-Orban proposed to abandon the Latin Union and to complete the liquidation demanded by France at once, rather than to postpone it until a time when new conditions might make it even more onerous. He already anticipated in 1885 that the fall of silver was far from having reached its end.

Supported by these views at home, M. Pirmez, the Belgian delegate, and his associates, withdrew on July 30th

from the conference. A protocol was partially perfected by the remaining powers, which included a provision that Belgian coins should be no longer received in the other countries three months after the expiration of the last convention.[a] The situation thus created was so serious, however, that toward the end of the year M. Pirmez was sent back to Paris a second time and there finally secured a compromise arrangement. This compromise consisted in the division of the fund of Belgian 5-franc pieces into two parts. Half of the amount was to be liquidated in gold in the manner provided by the original proposal; the other half was to be left to the play of the laws of international exchange. In order to secure this concession, the Belgian Government agreed to these conditions:

"She engages not to introduce into her monetary régime any change which might impair the repatriation of the other half by means of commerce and the exchanges. This engagement shall have a duration of five years from the date of the expiration of the Union. Belgium may bring it to an end by accepting the obligation to redeem this second half under the conditions provided by Article IV of the arrangement. In any case the Belgian Government reserves to itself the right to introduce into its monetary legislation the changes which may be introduced into the monetary legislation of France.

"The Belgian Government guarantees that the balance shall not exceed 200,000,000 francs. If there should be an excess, it will be redeemed under the conditions provided by Article IV of the arrangement."

[a] A History of Banking in all the Leading Nations, III, p. 375.

Under this agreement Belgium bound herself not to take steps to change her monetary system or to check the return of her silver coins for a period of five years after the dissolution of the Latin Union, unless she should be ready to redeem at gold par the entire mass of Belgian silver which M. Malou had permitted to be issued. The convention of 1885 expired on January 1, 1891, but has since been renewed from year to year by tacit agreement.

In case the Union should be dissolved and Belgian 5-franc pieces should be returned from France and other countries, grave difficulties would confront the Government in maintaining the gold standard. The total amount of coinage of 5-franc pieces, from the first issues under the monetary law of 1832 down to the suspension of coinage in 1876, was 495,678,210 francs ($95,650,000), or an average of more than $13 per capita for the present population of Belgium. This total, however, is subject to considerable deductions, some of which can be definitely ascertained and others only estimated. The effect of these deductions is thus summed up by M. Ansiaux: [a]

"If from this sum there is deducted the value of pieces officially demonetized and recoined, or 13,002,165 francs, there remains 482,676,045 francs. According to the unanimous opinion of competent persons, this figure is much above the stock still in existence. A considerable quantity of pieces bearing the effigy of Leopold I were recoined and exported in the form of bars to the extreme Orient between 1851 and 1866—that is, at the time when the metal sold in the market at a price superior to that

[a] Les Problèmes Actuels, etc, pp. 16–17.

fixed by the Latin Union, by which the value of the kilogram of silver was in the proportion of one to fifteen and a half that of the kilogram of gold. It can not be determined with precision what is the quantity of pieces which have been eliminated in this way or what amount, from 1832 to 1907, have disappeared in some other manner. The commissioner of the mint of Belgium, M. Le Grelle, expresses the opinion that 'the quantity of Belgian 5-franc pieces still in existence may be considered to be below 375,000,000 francs.'[a] To arrive at this conclusion he relies upon various texts, from which he ingeniously deduces this 'characteristic fact of the disappearance of at least three-quarters of the Belgian pieces coined from 1832 to 1865.'[b] In a note addressed in 1907 to the colonial committee, relative to the monetary question, the Belgian Government expresses the opinion that 'the quantity of Belgian 5-franc pieces still existing may be estimated at about 350,000,000 francs.' "[c]

Whatever the amount of Belgian 5-franc pieces still in existence in Europe, not more than half are now probably in circulation in Belgium, leaving the balance to be found chiefly in France and to a limited extent in other countries of the Latin Union. It was estimated by the National Bank, according to an inquiry made in 1881, that the circulation of 5-franc pieces in Belgium was 275,000,000 francs ($53,080,000). This estimate was reduced for 1898 to 200,000,000 francs, and for 1900 to a still smaller

[a] Rapport du Commissaire des Monnaies, 1906, p. 22.
[b] Ibid., 1901, p. 24.
[c] Moniteur des Intérêts Matériels du 9 juin, 1907, p. 1925.

amount.[a] The changes in these estimates were due to the steady current of metallic money out of Belgium into France. It was estimated by M. de Foville in 1897, as the result of an analysis of a count made of different forms of money received by the banks, that there were then in France 329,900,000 francs in 5-franc pieces of Belgian coinage, of which 266,300,000 francs were in the vaults of the Bank of France.[b] As the result of a similar inquiry in 1903, M. de Foville reduced the estimate of Belgian 5-franc pieces circulating in France to 270,000,000 francs, of which 168,000,000 francs were in the vaults of the Bank.[c]

It is these conditions with which the Government would have to deal if the Latin Union were dissolved. It would be impossible to absorb into the circulation of Belgium the 300,000,000 francs circulating in France. It would be necessary, first, to find gold resources with which to liquidate this great obligation to the French Government, and, secondly, to find a means of disposing of the 1,500 tons of silver coins which would be surrendered to Belgium. In view of the small amount of coins now in circulation in Belgium, it might be found feasible, if the old standard were maintained, to employ perhaps 50,000,000 francs in replenishing the circulation. This would still leave, at the lowest estimate, from 175,000,000

[a] The latest estimate made by the Mint Bureau, in the annual report for 1908, declared that by reason of the adverse exchange with France the actual circulation of 5-franc pieces did not appear to exceed 100,000,000 to 150,000,000 francs.—Economiste Européen, May 22, 1909, XXXV, p. 644.

[b] L'Économiste Français, February 12, 1898, p. 202.

[c] Ibid., April 23, 1904, p. 576.

to 200,000,000 francs to be thrown upon the silver market if other means could not be found for dealing with them. Obviously, however skilfully this operation were conducted, it would have a very depressing effect on the market for silver, which in recent years has shown signs of being easily glutted whenever the demand from any important source, like that of India, has become impaired. Even if the silver could, by extending sales over a reasonable period of time, be made to fetch 25d. per ounce, there would be a loss of more than one-half of the face value of the coins, which would have to be met by the Government of Belgium. If this sum were raised by means of a gold loan, it would require approximately 100,000,000 francs ($19,300,000).

To cover this loss would not be the only problem involved in the dissolution of the Latin Union. The fact that the Belgian 5-franc pieces were no longer received in France would deprive them of the support given to the value of silver coins in France by the great gold reserve of the Bank of France. The limitation of the quantity kept in circulation in Belgium would tend in some degree to maintain the local value of the currency; but, it is contended by some students of the subject, it would be found absolutely necessary to take measures also to establish a gold reserve in Belgium. The amount required for this purpose would, in the opinion of M. Ansiaux, be at least 100,000,000 francs. The National Bank would, in his opinion, require the support of its reserve in order to be prepared to redeem its notes in gold, which would almost necessarily be the policy pursued during the liquidation and retirement of the 5-franc pieces if the security of the

bank notes and the soundness of the monetary system were not to be put in jeopardy.[a]

As a result of this situation there would be a double liability to aid in maintaining the gold standard not unlike that imposed upon the Government of the United States when the silver circulation became excessive in 1893. On the one hand, the function would rest upon the Government of maintaining the parity of the silver coins by means of a visible gold reserve; on the other hand, the function would rest upon the Bank of maintaining the redemption of its notes in gold. Otherwise, the dissolution of the Latin Union would tend to produce a panic in Belgium by reason of the knowledge that the great mass of Belgian silver coins afloat in Europe could not be absorbed into the Belgian circulation and would have no guaranty of parity, except the limited gold reserve of the Bank, which would be far from sufficient to liquidate the quantity returning to the country when they ceased to be legal or customary tender in France, Italy, or Switzerland.

If the counsel of M. Frère-Orban in 1885 had been followed, Belgium might have reorganized her monetary system upon a basis independent of that of France at a much smaller cost than a few years later. The average quotation of silver for 1885 was $48\frac{9}{16}$d., London price, corresponding to $1.0651 per fine ounce in New York. It was the last time that silver showed an average annual price in the American market above $1, except in 1890 under the impulse of the purchases under the Sherman law. By 1895 the London quotation showed an average of $29\frac{3}{16}$d. and by 1905 $27\frac{13}{16}$d. At the average price of

[a] Les Problèmes Actuels, etc., p. 20.

1885 the loss would have been about 20 per cent of the face value of the coins. At the average price for the year ending June 30, 1908—27.33d.—the depreciation was nearly 60 per cent below legal parity.

If the Belgian Government could have marketed its surplus silver as successfully after 1885 as the German Government did after 1873, a loss of 20 per cent upon 200,000,000 would have been only 40,000,000 francs ($7,720,000). To put in effect such a proposal under present conditions, however, even apart from the effect which it would have in the further demoralization of the silver market, would involve a loss of more than 100,000,000 francs ($19,300,000). The aggregate loans required, both to cover this loss and to provide an adequate gold reserve, would be, according to the estimates of M. Ansiaux, not less than 300,000,000 francs.[a] This amount, imposed upon the present population of Belgium, which is about 7,200,000, would amount to about $8.25 per capita and would be equivalent to a loan of $750,000,000 for the 90,000,000 people of the United States. Obviously the issue of a loan of this magnitude involves serious considerations, and it is not surprising that the Belgian Government has preferred to continue a member of the Latin Union, even in the face of continuing depreciation in the bullion value of its silver money and the prospect that liquidation would be still more difficult and costly if undertaken in time to come.

A policy of waiting has several compensations. The growth in the population and in the economic resources of the country tends to increase the demand for currency,

[a] Les Problèmes Actuels, etc., p. 20.

while the lapse of time increases the extent of the slow disappearance and absorption of the excess coins. A special field where this absorption may become important exists in the Kongo, which it is fervently wished in Belgium may rival British India as "a sink of the precious metals." Thus far this expectation has not been realized on a large scale, since a considerable proportion of the special coinage of 1,900,000 francs made for the Kongo had, as recently as 1907, not been absorbed. It was suggested, moreover, by M. Ansiaux that as the Kongo was not a part of the Latin Union, Belgium might derive considerable advantage from limiting the circulation there to Belgian coins and closing the hospitable door which is now kept open to the coins of the other countries of the Union.[a] In monetary matters time is usually a cure for evils whose sources have been suppressed. The growth in population and economic power, the disappearance of old coins, and perhaps a recovery in the gold price of silver, may gradually improve the position of Belgium in the Latin Union without requiring the drastic and expensive course of liquidation of her silver money held abroad.

THE METALLIC RESERVE AND THE PREMIUM ON EXCHANGE.

The question whether the metallic reserve of the National Bank of Belgium is adequate in amount and is properly constituted has been much debated in recent years, as the result of the almost continuous premium on foreign exchange. The premium has usually kept within the limits of four-tenths of 1 per cent (or, as the French express it, 4 to the 1,000), but this has been above the

[a] Les Problèmes Actuels, etc., p. 23.

point which permitted exports of the silver 5-franc from Belgium and would have denuded the coun everything but subsidiary coin but for the action o Bank in purchasing 5-franc pieces abroad to replenis reserve. The reserve was fixed prior to the revisi the charter in 1872 at 25 per cent of obligations pa on demand, which included bank notes and curren counts payable at sight. It was increased after that to one-third, but with authority to the ministry to suspend the requirement when it might be advisable. From the beginning of the history of the Bank, however, it was allowed to count foreign bills as a part of the reserve. The effect has been that while the stated reserve has been usually above 35 per cent, the proportion held in coin has come to be less than half of this amount. A statement of the character of the demand liabilities and of the reserve was made in the replies of the Government to the questions of the central section of the Chamber of Deputies at the time of the revision of the charter in 1900, which is supplemented in the following table by the figures for 1908:[a]

Proportion of reserve held.

	Dec. 31, 1897.	Dec. 31, 1908.
Circulation	513,268,900	806,878,000
Current accounts	93,892,500	100,716,500
Total obligations on demand	607,161,400	907,594,500
One-third equals	202,387,100	302,531,500
Actual metallic reserve	103,326,100	158,163,200
Foreign bills	120,078,600	185,540,900
Total reserve	223,404,700	343,704,100

[a] Documents Parlementaires: 1900, p. 205.

These figures show a percentage of total reserve against demand obligations of about 36.8 per cent in 1897 and 37.8 per cent in 1908. They also show no radical change in the proportion of coin to foreign bills. It is noticeable, however, that the circulation has increased very rapidly within the eleven years since the report of 1897. Upon this subject more will be said hereafter.

In one respect the movement of the reserve has, during the recent history of the Bank, been favorable. This is in the proportion of gold held as compared with silver. In 1875, immediately after the free coinage of silver was suspended at the Belgian mint, the gold coin held was 62,508,000 francs, while holdings of silver 5-franc pieces reached 35,847,000 francs. Gradually the proportion of silver over gold was reduced, until since 1886 the following proportions have obtained:

Composition of the metallic reserve.

December 31—	Gold.	Silver 5-franc pieces.	Subsidiary and minor coins.	Total.
	Francs.	*Francs.*	*Francs.*	*Francs.*
1887	58,768,200	21,961,000	18,350,000	99,079,900
1892	81,407,434	15,743,735	17,503,967	114,654,737
1897	88,823,415	8,903,640	5,599,101	103,326,156
1900	91,904,050	12,003,000	4,850,059	108,757,109
1902	89,589,225	14,186,455	10,394,630	114,170,310
1905	100,746,035	5,426,460	11,448,612	117,621,107
1906	103,871,160	10,596,675	9,717,292	124,185,127
1907	106,707,910	19,565,495	6,988,395	133,261,800
1908	112,436,850	37,032,500	8,693,875	158,163,225

The increase in 5-franc pieces during the year 1908 is not in itself an unfavorable symptom. Indeed, under the existing policy of the Bank in dealing with the problem of exchange, an adequate stock of silver 5-franc pieces is

nearly as important as an adequate stock of gold. As gold has practically disappeared from current use, and if paid out would be promptly seized upon by the exporters, the amount held by the Bank is to a certain extent immobilized and constitutes a guaranty fund for the solvency of the Bank's assets rather than a part of the active circulation. Notes are redeemed principally in silver 5-franc pieces, which are more expensive than gold to export. The Bank imports 5-franc pieces at its own expense when the demands upon it exceed receipts of the coin. The reflux of 5-franc pieces during 1908 may be attributed in part also to the stagnation in general business, which has accumulated coin and other forms of currency in most of the great banks of the world.

One of the most difficult problems with which the Bank of Belgium has had to deal in recent years has been the unfavorable state of the exchanges. The rate of exchange, instead of fluctuating between the gold import and gold export points at different seasons, has remained, with only brief and occasional exceptions, adverse to Belgium. Gold practically disappeared from circulation many years ago and was soon followed by the 5-franc pieces in flitting across the border. The profit in exporting the coins has become so obvious, even to those who are not bankers, that it is practiced by a great number of persons, especially those living near the French frontier. The process by which the profit is realized is thus described by M. Ansiaux:[a]

"The tactics of the drainers are well known. They procure pieces of 5 francs either from the circulation or at the

[a] Les Problèmes Actuels de la Circulation Metallique et Fiduciaire en Belgique, p. 25.

counter of the National Bank or from its agencies nearest to the French frontier, in exchange for bank bills. They ship these pieces to one of the banking towns nearest to our territory—for example, to Lille. There it is easy to exchange them for cheques or drafts payable in France or (what comes to the same thing) to deposit them in a banking establishment and against the deposit to draw a cheque of corresponding value. This paper is immediately negotiated in Belgium at a premium covering the cost of the operation and involving also a certain percentage of profit. As this speculation is repeated indefinitely, it affords in the aggregate serious profits to him who practices it."

In Switzerland, where similar conditions prevailed prior to the creation of the National Swiss Bank in 1907, the trade of exporting the coins was shared even by women, who, while waiting in line to convert notes into coin at banking offices near the frontier, carried their knitting or weaving, combining with their profitable operations in finance their occupations as keepers of the home.

An indication of the growth in the tendency to export coin is afforded by the figures of the presentation of notes to the bank to obtain specie in contrast with the specie presented to obtain notes. Within the short interval since 1891, the notes thus presented for exchange have increased by nearly 100 per cent, or in about the same proportion as the average circulation. This movement might be considered a healthy indication of the rapidity of note redemption, but for the fact that the demand for coin in exchange for notes converges principally upon those branches of the bank which are near the French frontier or in direct railway communication with France. It is significant

point which permitted exports of the silver 5-franc pieces from Belgium and would have denuded the country of everything but subsidiary coin but for the action of the Bank in purchasing 5-franc pieces abroad to replenish its reserve. The reserve was fixed prior to the revision of the charter in 1872 at 25 per cent of obligations payable on demand, which included bank notes and current accounts payable at sight. It was increased after that date to one-third, but with authority to the ministry to suspend the requirement when it might be advisable. From the beginning of the history of the Bank, however, it was allowed to count foreign bills as a part of the reserve. The effect has been that while the stated reserve has been usually above 35 per cent, the proportion held in coin has come to be less than half of this amount. A statement of the character of the demand liabilities and of the reserve was made in the replies of the Government to the questions of the central section of the Chamber of Deputies at the time of the revision of the charter in 1900, which is supplemented in the following table by the figures for 1908:[a]

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One of the most obvious reasons for the disappearance from Belgium of gold at least has been the increase in the employment of small notes. It is a well-established principle, illustrated by the monetary experience of many countries, that notes will drive coin out of circulation down to the lowest denomination for which they are issued. In other words, notes of 20 francs ($3.86), which is the minimum denomination in Belgium, if issued in sufficient amounts, would inevitably expel from circulation gold coins of 20 francs and of higher denominations. During the early history of the National Bank the issues of notes of the lower denominations were comparatively restricted. Since 1895, however, there have been striking changes in the character of the note issues, independently of their amount. The notes of the larger denominations—500 francs ($96.50) and 1,000 francs ($193)—have increased only by an amount of 83,000,000 francs ($16,000,000), while the total circulation has increased by 302,600,000 francs ($58,400,000). Notes of the minimum denomination of 20 francs have nearly trebled in amount, and those for 50 francs ($9.65) and 100 francs ($19.30) have increased by about 135,000,000 francs. Undoubtedly a proportion of this increased demand for small notes is due to the expansion of business and the more general use of currency by the poorer classes, but a large part of the increase may reasonably be connected with the disappearance of the 5-franc pieces. The following table puts in graphic form the changes in the denominations of notes in circulation for representative years:

Increase in issues of small notes.

[In thousands of francs.]

Year.	Total average circulation.	Notes of 1,000 and 500 francs.	Notes of 100 and 50 francs.	Notes of 20 francs.
1880	313,624.5	151,539.5	147,224.3	14,860.7
1890	382,309.6	143,694.0	200,824.5	37,791.2
1895	450,413.1	149,647.5	235,686.5	52,079.1
1900	576,483.5	201,045.5	287,902.8	87,535.1
905	676,841.9	222,269.5	337,146.1	117,426.3
1908	753,079.9	232,413.0	371,306.6	149,360.3

The influence of the great increase in circulation has obviously been to expel coin and to make it practically impossible to maintain the coins of full legal tender capacity in circulation. The issue of notes down to so low a denomination as 20 francs has practically imposed upon the Bank the obligation of maintaining the coin reserve of the country. In this respect it is perhaps subject to criticism for permitting so considerable a proportion of the reserve to consist in foreign bills—not that the bills are not a sound and efficient portion of the reserve, but that the proportion of metal has been allowed to fall too low. Upon this point emphasis is laid by the venerable Prof. Georges de Laveleye, in a recent discussion of the relative increase in the bank-note circulation of France and Belgium. In France as in Belgium, he declared, the circulation of bills goes on steadily increasing. If the years 1891–1892 are compared with 1906–1907, the circulation advanced from 425,000,000 to 750,000,000 francs in Belgium and from 3,000,000,000 to 4,800,000,000 francs in France. It increased 75 per cent in Belgium and 60

per cent in France. Commenting upon these figures, Professor de Laveleye declares:[a]

"But in France it is the reserve which has profited by this extension of the paper circulation, while in Belgium it is the assets in Belgian and foreign paper which have increased from 300,000,000 to 625,000,000 francs—that is, in a proportion exactly parallel to the increase in the circulation. That has happened, then, which must inevitably happen—the bill of the National Bank of Belgium has only the strict minimum of legal metallic protection, even accepting the assets in foreign bills as the equivalent of specie in the vaults, while the bill of the Bank of France shows such an increase of protection that it might be truly said that it represents gold circulating in the form of paper."

As influential, perhaps, as permanent transfers of capital, and perhaps one of their causes, is the comparatively low rate of discount maintained at the National Bank and in Belgium. On this point an indictment is drawn by M. Ansiaux, both against the policy of the Bank and against the law which covers into the public Treasury the proceeds of all discounts above 3½ per cent. In seeking to reach the foundation of the problem, M. Ansiaux declares that it is an error to believe that the balance of international accounts redresses itself always automatically. "Without doubt," he says, "the rise of exchange constitutes a stimulus to exportation and a curb to importation. In short, exporters sell their drafts higher and importers pay more for their remittances. But the customs statistics have already demonstrated that this double

[a] Moniteur des Intérêts Matériels, December 8, 1907, p. 3974.

influence does not translate itself in an obvious manner in the commercial movements of Belgium and Switzerland.[a]

Through its holdings of foreign bills the National Bank has been able to offset in some measure the adverse tendency of the exchanges. When the demand for the Paris cheque becomes pressing and threatens to raise the premium to a point which would attract attention and cause alarm, the Bank draws from its portfolio and throws upon the market drafts upon Paris, London, Berlin, and Amsterdam, and thus meets the demand for the transfer of funds abroad. This portfolio of foreign paper is reconstituted from time to time, at those periods when the demand for foreign exchange is less acute.

It is contended by some of the critics of the Bank, however, that while its policy in dealing with foreign bills is sound so far as it goes, it should be combined with a more resolute policy in regard to the discount rate. It is pointed out that the Imperial Bank of Germany, which also employs foreign bills to maintain the balance of the exchanges, does not on this account consider itself released from the obligation of raising the discount rate boldly and in defiance of all criticisms. In other markets the elevation of the rate of discount is relied upon to correct the adverse balance of the exchanges and check the outflow of metallic money. It becomes a question then—which has been much discussed in Belgium—whether the National Bank has not erred in keeping its rate of discount too low, instead of too high. There have been those who have urged that it should be advanced sharply and kept high until a visible influence was exerted upon the movement

[a] Les Problèmes Actuels, etc., p. 35.

of money. The failure of the National Bank to do this might be attributed to two influences—the fact that by law it is deprived of profit from a discount rate above 3½ per cent and the fact that it derives a very considerable profit from the expansion of its note issue, which has taken the place of the vanished coins. Obviously the profits upon the note issue more than compensate the premiums paid for maintaining the metallic reserve. The Bank perhaps regards this policy as more beneficial to commercial interests and less likely to impair its own popularity than the drastic elevation of the discount rate which protects the reserve of the Bank of England.

In spite of the unfavorable situation of the Belgian exchange, which is emphasized by the dubious position of Belgium in the Latin Union, the argument is not without support by competent economists, that the existing system has advantages over the resolute raising of the discount rate which is advocated by M. Ansiaux. The argument is the same as that made in favor of a uniform rate at the Bank of France—that the burden of maintaining the reserve is properly assumed by the Bank, rather than imposed upon the commerce of the country. It appears that the periods when high discount rates have prevailed have been usually those when the bank found it necessary to make the largest importations of coin, but in most of these cases the discount rate was not raised so radically as at the Imperial Bank of Germany and other state banks outside of France. Thus, in 1898, with an average discount rate of 3.04 per cent, the amount of coin brought into the country by the Bank was 30,000,000 francs. In 1899, with an average rate of 3.91 per cent, the amount

brought in was 60,000,000 francs. When the average rate fell in 1902 to 3 per cent, the importations of coin by the Bank were only 11,000,000 francs, but rose, under the influence of the tight money market of 1906 and an average discount rate of 3.84 per cent, to 81,500,000 francs; and in 1907, with an average discount rate of 4.95 per cent, importations of coin by the Bank were 98,500,000 francs.[a] With an average rate of 3.56 per cent in 1908, importations by the Bank fell to 79,000,000 francs.[b]

It is maintained by the principal financial publication of Belgium that an attempt to raise the discount rate radically would impose much heavier charges upon the country than are imposed under the existing system. The increase of the rate from an average of 3.84 per cent, which prevailed in 1906, to an average of 5 per cent would add 5,166,000 francs to the discount charges of the National Bank alone, and if the entire quantity of bills discounted at the joint-stock banks were subjected to the same increase of rate the total additional charge imposed upon commerce would be multiplied about three times and would amount to more than 15,000,000 francs. The effect upon the security market would be to depress prices and to send the 3 per cent obligations of the Belgian Government below par. In other words, it was declared, the rental of capital would be brought up to the rate which is paid in undeveloped countries deficient in resources or unhealthy in their economic state.[c]

Upon the whole, therefore, it is concluded by the Belgian journal that comparatively little injury results to the

[a] Moniteur des Intérêts Matériels, June 21, 1908, p. 2035.
[b] Économiste Européen, May 22, 1909, XXXV, p. 644.
[c] Moniteur des Intérêts Matériels, December 22, 1907, p. 4142.

financial organism of the country from the premium on exchange. The computed amount of the premium on exchange paid upon exportations to France, at the rate of three-tenths of 1 per cent, represents upon 400,000,000 francs of such exportations a sum of 1,200,000 francs ($231,600).[a] It is obvious that this enhanced price of the Paris exchange affords to the merchant drawing upon Paris a premium upon exportation or imposes upon the importer an enhanced burden which is too slight in either case to affect seriously the balance of trade by stimulating exportation or checking the importation of French products. Trade would almost certainly be influenced more sharply by an elevation of the discount rate, but it would be necessary ultimately for the Bank to strengthen its reserve from the increased quantity of gold imported or to curtail the amount of small notes in circulation in order to make the increased rate of discount effective in keeping gold within the country.

GENERAL STATISTICS OF BANKING OPERATIONS.

Some of the principal statistics of the movement of important classes of business from the beginning of the life of the National Bank are brought together in the tables below. As statistics for representative years have been presented in most cases in discussing different features in the operation of the Bank, comment in detail upon the statistics here presented is not required. They are brought together for convenience and a greater degree of completeness than the shorter tables which have been given in dealing with particular subjects. The complete tables

[a] Moniteur des Intérêts Matériels, December 15, 1907, p. 4058.

show the rapid expansion in the business of the National Bank of Belgium, which has been characteristic of financial statistics in the case of advanced commercial countries during the past generation. The four principal items for the close of each year conform to the exhibit made by similar figures in other countries of Europe for the central banks of issue, in the fact that note circulation plays a much more important part than deposits in gross liabilities and that the growth in circulation is offset by a corresponding growth in discounts granted. These discounts, however, are made up largely of rediscounts extended to the joint-stock and private banks, which have absorbed the bulk of the growth in deposit business since the evolution of powerful banks without the power of note issue. A general table of the four principal items of the balance sheet at the end of the year appears below:

Principal items of the balance sheet.

December 31—	Metallic reserve.	Discounts.	Bank notes in circulation.	Creditor current accounts.
	Francs.	*Francs.*	*Francs.*	*Francs.*
1851	29,264,880	44,034,953	50,346,210	25,980,830
1855	59,099,781	78,504,789	95,580,880	42,666,838
1860	63,023,535	155,958,745	117,899,960	81,825,144
1861	69,048,286	149,568,487	117,847,920	79,173,174
1862	68,299,840	144,775,678	112,474,420	67,852,803
1863	45,119,295	137,432,729	116,727,840	42,635,776
1864	51,352,022	128,901,020	112,651,990	44,207,126
1865	55,074,197	155,563,372	125,106,120	64,101,720
1866	55,453,861	145,226,443	124,387,380	55,798,121
1867	79,931,106	167,576,272	137,660,450	94,270,253
1868	90,911,301	203,813,192	171,782,680	113,271,152
1869	90,097,697	230,190,917	199,219,390	102,116,233
1870	95,614,523	196,233,878	202,528,520	81,319,921
1871	123,271,268	214,290,183	228,690,490	106,106,831
1872	115,670,473	305,635,514	297,672,650	118,052,607
1873	105,493,284	258,451,264	320,586,070	61,822,909
1874	118,246,897	272,087,466	328,873,430	71,465,293
1875	122,662,123	269,071,451	340,254,420	65,704,557

Principal items of the balance sheet—Continued.

December 31—	Metallic reserve.	Discounts.	Bank notes in circulation.	Creditor current accounts.
	Francs.	*Francs.*	*Francs.*	*Francs.*
1876	116,675,643	306,821,721	364,559,260	76,276,824
1877	99,249,880	276,556,761	342,108,340	58,787,160
1878	99,169,614	247,872,605	313,617,950	60,274,577
1879	105,415,039	271,512,573	334,975,720	74,376,704
1880	98,787,206	283,992,826	339,969,510	72,142,896
1881	99,477,283	280,695,884	354,753,670	76,889,811
1882	99,445,996	256,854,173	355,706,250	69,618,318
1883	98,096,713	271,250,176	357,611,140	79,611,772
1884	96,535,498	280,026,058	357,761,810	73,950,390
1885	105,495,925	278,295,964	367,423,810	71,071,235
1886	100,578,722	292,662,882	378,966,160	74,377,927
1887	99,079,959	295,117,351	389,094,020	71,507,414
1888	93,646 434	283,875,995	375,670,220	66,282,970
1889	103,636,140	302,384,547	401,765,820	67,090,444
1890	103,413,340	312,670,661	404,721,600	67,723,926
1891	102,751,759	323,986,582	421,886,510	69,363,485
1892	114,654,737	309,391,705	427,594,580	69,340,318
1893	111,621,199	336,201,077	450,755,910	67,353,628
1894	130,756,515	346,590,227	469,662,000	78,558,169
1895	101,061,507	365,263,291	476,502,020	72,103,788
1896	101,978,446	399,683,424	492,636,910	90,649,788
1897	103,326,156	417,827,791	513,268,950	93,892,514
1898	117,087,292	424,795,032	544,652,040	98,975,211
1899	107,901,447	433,577,079	589,504,170	88,765,140
1900	108,757,109	465,244,299	631,631,800	81,754,197
1901	116,153,170	478,293,671	649,330,330	89,513,811
1902	114,170,310	513,750,490	676,140,330	78,854,638
1903	117,117,388	533,069,957	671,006,560	86,971,009
1904	119,366,357	557,740,495	694,429,290	93,374,199
1905	117,621,107	570,024,215	724,082,140	98,615,552
1906	124,185,127	597,370,467	770,423,340	95,128,921
1907	133,261,800	528,316,117	798,167,760	87,573,812
1908	158,163,225	493,458,291	806,878,060	100,716,555

The figures of the general movement of operations show immense totals, because they cover all payments into and out of the Bank. Figures of this movement are not usually kept by American banks, but they have a certain significance in the case of European banks of issue because the latter perform to some extent the function of the clear-

ing houses in receiving and collecting checks and other documents upon other banks.

General movement of operations and gross earnings.

Year.	Movement of operations.	Gross earnings.
	Francs.	*Francs.*
1869	4,810,516,589.68	5,995,353.30
1870	5,031,817,891.19	7,046,729.48
1871	11,700,891,702.01	8,798,931.35
1872	13,035,434,872.44	10,210,076.49
1873	14,426,450,646.88	16,542,873.03
1874	13,574,856,891.54	13,613,941.19
1875	13,527,359,459.17	11,365,899.95
1876	12,489,767,081.18	10,315,566.65
1877	11,444,063,172.91	10,476,216.88
1878	11,566,641,673.97	11,295,546.19
Total for 10 years	111,607,799,980.97	105,661,134.51
1879	13,268,345,510.98	9,817,772.17
1880	16,770,452,220.85	9,854,985.36
1881	16,691,220,278.75	11,522,499.39
1882	16,815,897,966.40	13,781,016.79
1883	17,988,680,750.85	12,176,985.53
1884	16,473,764,339.29	11,072,438.50
1885	15,969,846,743.08	11,114,498.49
1886	16,410,293,424.86	10,894,625.98
1887	19,151,684,378.81	11,202,106.98
1888	18,822,634,841.64	10,723,509.19
Total for 10 years	168,362,820,455.51	112,160,427.40
1889	19,230,169,638.25	11,947,140.15
1890	19,601,550,644.65	12,344,883.28
1891	19,925,688,020.47	11,402,406.98
1892	18,864,409,343.24	10,789,230.85
1893	19,084,647,081.43	11,202,819.79
1894	19,562,149,358.05	11,470,305.74
1895	25,521,039,223.47	11,203,777.50
1896	23,794,145,713.99	11,730,218.22
1897	23,880,970,766.75	12,665,355.05
1898	28,195,808,124.09	13,005,476.81
Total for 10 years	217,660,577,914.39	117,761,614.37
1899	29,837,546,658.48	14,909,364.85
1900	31,490,349,019.45	17,585,180.25
1901	31,745,527,179.18	17,332,074.69
1902	32,179,502,121.05	16,662,898.82

General movement of operations and gross earnings—Continued.

Year.	Movement of operations.	Gross earnings.
	Francs.	*Francs.*
1903	35,160,961,766.78	18,298,521.90
1904	36,085,207,044.18	18,395,748.40
1905	40,424,814,815.19	18,498,899.98
1906	45,034,519,641.00	19,704,409.03
1907	51,162,602,291.58	21,122,923.50
1908	50,804,771,498.54	20,639,024.59
Total for 10 years	383,925,802,035.43	183,149,046.01

The character and frequency of changes in the rate of discount have been discussed under appropriate heads, but a convenient summary of the average rate for each year since 1873, giving the volume of discounts and the amount earned from them, is afforded in the next table:

Rate and amount of discounts.

Year.	Rate of discount.	Average maturity of paper.	Amount discounted.	Gross proceeds of discount.
	Per cent.		*Francs.*	*Francs.*
1873	5.06	47	2,019,300,000	14,598,300
1874	4.37	50	1,907,500,000	11,105,900
1875	3.85⅞	50 7/10	1,916,900,000	9,189,600
1876	2.75	50	1,822,200,000	7,859,600
1877	2.69	51⅓	1,894,200,000	8,206,900
1878	3.21	51	1,829,600,000	8,540,600
1879	3.04	47	1,923,500,000	7,009,600
1880	3.35	46	1,994,600,000	7,096,200
1881	4.08	47	2,034,200,000	8,577,700
1882	4.42¾	45	2,059,100,000	9,977,200
1883	3.60	44⅜	2 012,400,000	8,367,300
1884	3.32	45	2,071,700,000	7,537,300
1885	3.28	45	2,088,600,000	7,503,700
1886	2.80	47	2 059,300,000	6,707,700
1887	3.10	47	2,153,800,000	7,593,200
1888	3.32	45	2,167,300,000	7,566,000
1889	3.58⅓	45	2,228,100,000	8,573,500
1890	3.22	44	2,355,500,000	9,244,000
1891	3.00	39	2,512,800,000	8,344,500

Rate and amount of discounts—Continued.

Year.	Rate of discount.	Average maturity of paper.	Amount discounted.	Gross proceeds of discount.
	Per cent.		*Francs.*	*Francs.*
1892	2.70	41	2,430,500,000	6,526,500
1893	2.83	40	2,463,600,000	7,349,700
1894	3.00	40	2,546,200,000	7,231,300
1895	2.60	39	2,894,300,000	6,814,800
1896	2.84	41	2,785,600,000	8,001,200
1897	3.00	40	2,922,200,000	9,394,900
1898	3.04	41	3,026,900,000	9,585,300
1899	3.92	39	3,242,200,000	10,592,500
1900	4.09	38	3,442,800,000	12,921,000
1901	3.28	41	3,370,800,000	12,792,200
1902	3.00	41	3,428,900,000	12,271,000
1903	3.17	42	3,635,300,000	14,376,200
1904	3.00	43	3,603,100,000	14,418,700
1905	3.17	43	3,861,900,000	14,507,100
1906	3.84	44	4,255,500,000	15,312,200
1907	4.95	44	4,449,700,000	15,829,300
1908	3.56	44	4,362,400,000	15,389,800

APPENDICES.

APPENDIX A.

THE EXCHANGE PROBLEM IN BELGIUM.

[From the New York Bankers' Magazine for August, 1909.]

The annual report of the director of the mint of Belgium, of which an abstract appears in L'Économiste Européen of May 22, throws considerable light on the problem of the adverse exchange with France, in addition to the facts presented in the annual report of the National Bank of Belgium. It appears that the purchases of 5-franc pieces, forced upon the Bank in order to maintain the redemption of its notes and the integrity of the circulation, were not as large in 1908 as in 1907, but were larger than in any other year except 1906. As recently as 1904, when the discount rate was low, the Bank was compelled to buy in Paris only 12,000,000 francs in silver pieces, which was a marked improvement over 1899 and 1900, when the money market was under severe pressure. The purchases made by the Bank in 1900 were 35,500,000 francs. The record of the past eight years, with the average rate of discount at the National Bank, appears below:

Year.	Silver purchased by the Bank.	Average rate of discount.
	Francs.	*Per cent.*
1901	14,500,000	3.28
1902	11,000,000	3.00
1903	25,000,000	3.17
1904	12,000,000	3.00
1905	24,000,000	3.17
1906	81,500,000	3.84
1907	98,500,000	4.95
1908	79,000,000	3.56

The mint report is interesting in submitting a new estimate of the quantity of 5-franc pieces still in circulation in Belgium. It is estimated that more than three-fourths of the pieces coined under Leopold I, prior to 1867, have disappeared and that of the entire coinage of 495,678,210 francs from 1832 to 1876 (when coinage was suspended) only about 375,000,000 francs are still in existence. The circulation of these pieces in Belgium, which was formerly calculated at 200,000,000 francs, is believed to have been so reduced by exportation to France that the amount remaining in circulation does not exceed 100,000,000 to 150,000,000 francs. It is declared that exchange on Paris has been unfavorable, as in preceding years. The premium, which fell below 1 per 1,000 in January and February, 1908, rose progressively to 4 per 1,000 in November, to return to 3 per 1,000 in December. The average for the year was 2⅜. The effect of the premium was to encourage the exportation not only of the 5-franc pieces, but even of subsidiary silver. The Government and the National Bank have both taken measures to hamper this flight of currency. The railway officials have taken steps to prevent important transfers of silver in the form of ordinary baggage, and ticket sellers and treasury officials have been forbidden to make exchanges of money except within normal limits. The Bank has endeavored to meet the legitimate demand for exchange by its offerings of foreign bills.

APPENDIX B.

THE FUNDAMENTAL LAWS CREATING AND EXTENDING THE CHARTER OF THE BANK.

Laws of May 5, 1850; May 20, 1872; and March 26, 1900, combined according to a royal decree of May 7, 1900. (Moniteur of August 18, No. 230.)

ARTICLE I.[a]

A bank is hereby founded under the name of National Bank of Belgium, with head office in Brussels.

ARTICLE II.[b]

The Bank shall establish discount offices in capitals of provinces, and also in towns where the need of them shall be manifest.

A discount committee shall be connected with each discount office in towns where deemed necessary by the Government, after having consulted the directors of the Bank.

ARTICLE III.[c]

The corporate existence of the Bank is extended to January 1, 1929. This term may be extended by law, upon the request of a majority of a meeting of shareholders.

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[a] Article I of the law of March 26, 1900.

[b] From the law of May 5, 1850.

[c] Article III of the law of May 5, 1850; Article I, part 1, of the law of May 20, 1872; Article II, part 2, of the law of March 26, 1900.

ARTICLE IV.[a]

The capital of the Bank shall be 50,000,000 francs, divided into 50,000 shares, registered or to bearer, of 1,000 francs each.

ARTICLE V.[b]

The Bank shall begin business when three-fifths of each share shall have been paid in.

The administration of the Bank shall cause the capital to be restored up to 15,000,000 francs, if it should be impared by losses.

The administration is empowered to call up funds if business expansion should require it.

The mode and conditions of payment shall be regulated by the statutes.

The Bank shall collect interest at the rate of 3 per cent per annum on the amounts not paid in.

ARTICLE VI.[c]

A reserve fund shall be created for the following purposes:

1. To meet losses in the Bank's capital.

2. To add a sufficient amount to the yearly profits to allow the payment of a dividend of 4 per cent on the amount paid in.

The amount set aside to constitute the reserve fund shall be 10 per cent of the annual profits in excess of 4 per cent of the capital.

[a] Article IV of the law of May 5, 1850, reads as follows: "The corporate capital is 25,000,000 francs, divided into 25,000 shares, registered or to bearer, of 1,000 francs each." And Article I, part 2, of the law of May 20, 1872, states: "The Bank's capital shall be increased to 50,000,000 francs."

[b] From the law of May 5, 1850, which has since become inoperative.

[c] Article III of the law of March 26, 1900.

ARTICLE VII.[a]

One-quarter of the profits in excess of 4 per cent is assigned to the Government. The Government shall, moreover, receive an allowance of one-quarter of 1 per cent semiannually on the average circulation of notes in excess of 275,000,000 francs.

ARTICLE VII (2).[b]

The profit accruing to the Bank from the difference between an interest rate of 3½ per cent and the rate of interest actually collected shall be assigned to the State.

ARTICLE VIII.[c]

The operations of the Bank shall be as follows:

1. To discount or purchase bills of exchange and other documents resulting from commercial transactions, and treasury bonds within the limits to be determined by the statutes.

The following are deemed commercial transactions for the purposes of this provision: Purchases and sales by farmers, and to them, of cattle, agricultural implements, fertilizers, seed, crops, and generally of merchandise and produce relating to the practice of their industry.

2. To deal in gold and silver bullion.

3. To make loans on gold and silver bars and coin.

4. To undertake the collection of bills which may be remitted to it by private individuals or corporations.

5. To receive sums of money on deposit in current account, and securities, precious metals, and gold and silver coin for safe-keeping.

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[a] Article II, third paragraph, of the law of March 26, 1900.

[b] Article II, fourth paragraph, of the law of March 26, 1900.

[c] Article VIII of the law of May 5, 1850 and Article XI of the law of March 26, 1900.

6. Finally, to make advances on current account or for short terms upon the deposit of national public securities or other securities guaranteed by the State, within limits and conditions to be determined periodically by the administration of the Bank, jointly with the council of censors, with the approval of the Minister of Finance.

ARTICLE IX.[a]

The Bank is expressly prohibited from undertaking operations other than those set forth in Article VIII.

The Bank shall not be permitted to borrow, nor to make loans, either on bonds and mortgages or upon the deposit of industrial shares.

It shall not make loans on its own shares, nor buy them.

It shall not take any part, either directly or indirectly, in industrial enterprises, or undertake any kind of business other than that set forth in paragraph 2 of the preceding article.

It shall not acquire real estate other than the premises which are absolutely necessary for carrying on its business.

ARTICLE X.[a]

The Bank shall act as cashier for the State under conditions to be determined by law.

ARTICLE XI.

If a savings bank shall be established,[b] the Government reserves the right to have it managed by the Bank. This

[a] From the law of May 5, 1850.

[b] The law of March 16, 1865, created a general savings and pension office under the guaranty of the State. Article 39 of said law reads as follows: "The relations between the savings bank and the National Bank shall be regulated by the Government, in accordance with Article XI of the law of May 5, 1850."

service shall be distinct and independent from the business of the Bank, and its organization shall be the subject of a law.

ARTICLE XII.

The Bank may issue notes payable to bearer. The amount in circulation shall be represented by securities which can be easily converted into cash.

The proportion between the cash reserve and the notes in circulation shall be fixed by the statutes.

ARTICLE XIII.[a]

The Government, by agreement with the Bank, shall determine the form of the notes, the method of their issue, and the amount of each denomination.

The text of those which shall be issued in the future [b] shall be expressed in the two official languages.

ARTICLE XIII (2).[c]

Within one month following the promulgation of the present law,[d] the Bank shall pay into the public treasury the value of the bank notes belonging to the issues prior to the year 1869, which have not yet been presented for redemption.

Whenever a type of bank note shall be replaced or abolished, the Bank, at the expiration of a period fixed in each case by special agreement, shall pay into the treasury the value of the notes of that type which shall not have been presented for redemption.

[a] Article XIII of the law of May 5, 1850, and Article V of the law of March 26, 1900.

[b] Beginning March 26, 1900.

[c] Article VI of the law of March 26, 1900.

[d] Law of March 26, 1900.

This provision shall be applicable to the notes of 20 francs of the type prior to that created in 1897.

The notes of which the equivalent shall have been paid into the treasury shall be deducted from the amount of the outstanding circulation, and the redemption of such notes as shall be subsequently presented at the counters of the Bank shall be made on account of the treasury.

ARTICLE XIV.[a]

The notes shall be payable at sight at the offices of the Bank in Brussels.

The notes shall be payable at sight at the country agencies of the bank, but such payments may be deferred until there has been time to receive the necessary funds.

The Government is authorized to receive the notes at state offices.[b]

ARTICLE XV.[c]

To facilitate transfers of funds, the Bank is authorized to issue drafts payable several days after sight.

ARTICLE XVI.[d]

The Bank may be authorized by the Government to purchase public securities, but shall not hold an amount exceeding the amount of its paid-up capital.

[a] Article XIV of the law of May 5, 1850, and Article I, paragraph 5, of the law of May 20, 1872.

[b] Law of June 20, 1873, Article VI: "Notes of the National Bank are legal tender so long as they are redeemable at sight in legal coin." This privilege would immediately cease should the notes of the National Bank be refused at the state offices.

[c] From the law of May 5, 1850.

[d] Article XVI of the law of May 5, 1850, and Article I, paragraph 6, of the law of May 20, 1872.

No purchase shall be made except by virtue of authority given by the Minister of Finance, on application of the administration of the Bank, approved by the council of censors.

The investment of the reserve in public funds shall be discretionary.

ARTICLE XVII.

The management of the Bank shall be in the hands of a governor and six directors.

ARTICLE XVIII.

There shall be also a council of censors and a committee of discount.

ARTICLE XIX.

The governor shall be appointed by the King for five years. While holding that office he can not be a member of either branch of the Legislature nor receive any pension from the State.

A member of either House, when appointed governor, terminates immediately his legislative functions upon his acceptance of the office.

The governor, if elected a member of either House, shall not be permitted to take the oath as such until he has formally declared his preference for the latter office.

ARTICLE XX.

The directors and the censors shall be elected by the general assembly of the shareholders.

The duration of office for directors and censors, and the order of rotation, shall be regulated by the statutes.

ARTICLE XXI.[a]

A commissioner shall be appointed by the Government to supervise operations, and especially discount and the issue of notes. His salary shall be fixed by the Government by agreement with the management of the Bank, and shall be paid by the Bank.

ARTICLE XXII.

The management of the Bank shall present to the Government monthly a statement showing the condition of the institution and of its discount offices. This statement shall be published monthly in the Moniteur.[b]

The result of operations and the declaration of dividends shall be published every six months in the same way.

ARTICLE XXIII.[c]

Changes made in the statutes of the Bank must be in accordance with the principles set forth in the present law.[d]

Changes may be made on other points not regulated by law. They shall be submitted to the King for his approval.

ARTICLE XXIV.

The Government has the right to control all operations. It shall have the power to prevent the execution of any

[a] From the law of May 5, 1850.

[b] In pursuance of Article 47 of the new by-laws, the publication takes place weekly.

[c] Article VIII of the law of March 26, 1900.

[d] The first statutes of the Bank were promulgated in pursuance of Article XXIII of the law of May 5, 1850, and modified in accordance with the law of May 20, 1872, Article III.

measure which shall be contrary to the law, to the statutes, or to the interests of the State.

ARTICLE XXV.

No bank of issue shall be constituted by shares, except under the form of a joint stock company and by virtue of a law.

ARTICLE XXVI.[a]

The National Bank and its branches, discount offices, and agencies shall conform to the provisions of the law of May 22, 1878, concerning the use of the Flemish language in official matters; and this provision shall apply to all blank forms and to signs on the exterior and interior of buildings.

An adequate knowledge of both languages shall be required of all employees to be chosen in future for service in Flemish districts, including that of Brussels, who come in contact with the public.

TEMPORARY PROVISION.[b]

The present law shall take effect from the 1st of January, 1900. However, the benefits prescribed in favor of the State are to take effect from the 1st of January preceding.

The Bank is authorized to pay out of its reserve funds the difference between the amount due the State in pursuance of the preceding paragraph, and the amount already paid into the treasury in accordance with the provisions in force on December 31, 1899. The amount

[a] Article VII of the law of March 26, 1900.
[b] Article X of the law of March 26, 1900.

of such difference shall be restored to the reserve by means of assessments on the profits in future years.

Noted and approved, to be added to our decree of August 7, 1900.

LEOPOLD.

By the King:

P. DE SMET DE NAEYER,
Minister of Finance and Public Works.

APPENDIX C.

LAW REGULATING THE FUNCTIONS OF CASHIER FOR THE STATE.

Laws of May 10, 1850, May 20, 1872, and March 26, 1900, consolidated in pursuance of royal decree of August 7, 1900. (Moniteur of August 18, No. 230.)

ARTICLE I.[a]

The Government is authorized to intrust to the National Bank of Belgium the functions of cashier for the State.

ARTICLE II.[a]

As such, the Bank is deemed to be accountant for the State, and subject to all regulations prescribed by law regarding accounting and by the fundamental law of the court of accounts, which are not inconsistent with the principles governing stock companies.

ARTICLE III.[a]

The Bank shall establish an agency in the capital of each judicial district, and also in such towns as the Government shall deem advisable in the interest of the treasury or of the public.

ARTICLE IV.[a]

The Bank is accountable for its administration and that of its agents. Exception shall be made only in cases of

[a] From the law of May 10, 1850.

superior force, the existence of which and the use of funds collected for account of the State shall have been clearly established.

ARTICLE V.[a]

Agents of the Bank shall be appointed by the King from a list of candidates presented by the council of administration of the Bank containing twice as many names as there are agents to be appointed.

They shall not be entitled to claim a pension from the treasury. They shall furnish a bond to the cashier for the faithful performance of their duties, consisting of either real estate or national bonds.

ARTICLE VI.[a]

The journals and other registers relating to operations for the treasury shall be kept in accordance with a method to be determined by the Government. The journals shall be numbered and initialed by a member of the court of accounts.

The agents of the Bank shall permit the vaults, registers, and journals to be examined by the officials appointed for that purpose by the Minister of Finance.

ARTICLE VII.[b]

The National Bank shall perform gratuitously the service of cashier for the State.

The Bank shall bear all expenses of management, of material, of transportation, and of transfer of funds, and shall share in the expenses of the treasury in the Prov-

[a] From the law of May 10, 1850.

[b] Article IV of the law of May 20, 1872, and Article II, paragraph 5 of the law of March 26, 1900.

inces to an amount of 230,000 francs annually. This amount shall not be increased at the revision of the convention provided for by Article IX of this act.

The available funds of the treasury in excess of requirements shall be invested by the Bank in commercial paper. The Bank shall be guarantor for the securities acquired or set aside for account of the treasury.

ARTICLE VIII.[a]

The provisions of the law of September 5–15, 1807, regulating the privilege and legal lien of the public treasury on the estates of accountants, shall apply to the cashier for the State.

ARTICLE IX.[b]

The agreement entered into between the Government and the Bank is subject to revision every ten years.

Noted and approved, to be added to our decree of August 7, 1900.

LEOPOLD.

By the King:

P. DE SMET DE NAEYER,
Minister of Finance and Public Works.

[a] From the law of May 10, 1850.
[b] Article IV of the law of March 26, 1900.

APPENDIX D.

STATUTES OF THE BANK.

Adopted at the general assembly of shareholders of May 5, 1900, and approved by royal decree of May 16, 1900. (Moniteur of May 24, 1900, No. 144.)

CHAPTER I.—*Organization.*

ARTICLE 1. The National Bank of Belgium, founded as a joint stock company, in pursuance of the law of May 5, 1850, and the laws of May 20, 1872, and March 26, 1900, shall have its head office in Brussels.

ART. 2. It shall have branches or discount offices in the provincial capitals and in other towns, where the need of such establishments is recognized.

ART. 3. The Bank shall open an agency in the capital of each judicial district, and also in such towns as the Government shall deem advisable in the interest of the treasury or of the public.

ART. 4. The corporate existence of the Bank is extended to January 1, 1929, in pursuance of the law of March 26, 1900.

This term may be extended by law, upon the request of a majority of the general assembly of shareholders.

ART. 5. The Bank shall be legally liquidated should losses shown by the balance sheet exceed one-half the corporate capital.

In any other case, the liquidation can not take place before the time fixed by law, except with the consent of

the Government and in pursuance of a resolution carried by a majority of three-quarters of the shareholders in general assembly and owning at least one-half the stock of the Bank.

In case of dissolution, either at the end of the term or before the term, the assembly shall elect the liquidators and regulate their powers, as well as the mode of procedure, according to common law.

CHAPTER II.—*Capital and reserve.*

ART. 6. The joint capital consists of 50,000,000 francs, divided into 50,000 shares of 1,000 francs each.

ART. 7. Each share shall give the right to a proportionate and equal part in the joint assets and in the division of profits.

ART. 8. The rights and obligations pertaining to each share follow the title to same, to whomsoever it may pass.

Shares can not be divided as far as concerns the Bank; it recognizes but one owner for each share.

ART. 9. The ownership of a share involves compliance with the statutes of the Bank and with decisions regularly taken at a general assembly.

ART. 10. The heirs or creditors of a shareholder can neither cause official seals to be affixed on the chattels and securities of the Bank, nor ask distribution or sale at auction, nor meddle with its management.

For the assertion of their rights, they must abide by the published reports of the Bank and the deliberations of the general assembly.

ART. 11. Fully paid shares are either registered or to bearer, and may be converted, free of charge, at the pleasure of the owner.

ART. 12. The ownership of a registered share is established by the entry on the records of the Bank.

Registers to that effect are kept in duplicate at the head office. The beneficiary receives a certificate which is not transferable.

ART. 13. The transfer of registered shares is effected by means of a declaration of transfer entered on the books of the Bank, dated and signed by the assignor and the assignee, or their attorneys in fact, as well as by a director and a clerk of the Bank.

ART. 14. The transfer of shares to bearer is effected by the delivery of the certificate.

ART. 15. Shareholders are not liable beyond the loss of the amount of their shares in the Bank.

ART. 16. A reserve fund shall be created, for the following purposes:

1. To meet losses in the capital.

2. To add to the yearly profits a sufficient amount to insure a dividend of 4 per cent on the nominal capital.

ART. 17. The amount set aside for the formation of the reserve shall be 10 per cent of the net profits in excess of 4 per cent per annum.

ART. 18. The mode of investing the reserve shall be discretionary. The income shall form part of the general earnings of the Bank.

CHAPTER III.—*Operations.*

ART. 19. The operations of the Bank shall be as follows:

1. To discount or purchase bills of exchange and other documents resulting from commercial transactions, as well as treasury bonds.

The following are deemed commercial transactions for the purposes of this provision: Purchases and sales by farmers, and to them, of cattle, agricultural implements, fertilizers, seed, crops, and generally of merchandise and produce relating to the practice of their industry.

2. To deal in gold and silver bullion.

3. To make loans on gold and silver bars and coin.

4. To undertake the collection of bills which may be remitted to it by private individuals or corporations.

5. To receive sums of money on deposit in current account, and securities, precious metals, and gold and silver coin for safe-keeping.

6. Finally, to make advances on current account or for short terms upon the deposit of national public securities or other securities guaranteed by the State, within limits and conditions to be determined periodically by the council of administration, jointly with the council of censors, with the approval of the Minister of Finance.

ART. 20. The Bank is expressly prohibited from undertaking operations other than those set forth in the preceding article.

The Bank shall not borrow nor make loans, either on bonds and mortgages or against the deposit of industrial shares and bonds.

It shall not make loans on its own shares nor buy them.

It shall not take any part, either directly or indirectly, in industrial or commercial enterprises or undertake any other form of commerce than dealing in gold and silver bullion.

It shall not acquire real estate other than the premises which are absolutely necessary for carrying on its business.

ART. 21. Only such commercial bills shall be discounted as are made payable to order, stamped, resulting from a genuine business transaction, having not more than one hundred days to run and guaranteed by three solvent signatures.

However, commercial bills with two signatures may be admitted in such cases, manner, and conditions as may be determined by regulations adopted by the general council and approved by the Minister of Finance.

A pledge of warehouse receipts, merchandise, or public funds of sufficient value to guarantee the total of the claim may take the place of one signature.

ART. 22. The maturity of treasury bonds admitted for discount shall not exceed one hundred days. The rate of discount shall be fixed by mutual agreement with the Minister of Finance.

ART. 23. The Bank shall not carry in its assets discounted treasury bonds for more than 20,000,000 francs.

ART. 24. The rate of discount for Brussels, as well as for the discount offices, and the amount of treasury bonds to be admitted to discount shall be fixed weekly.

The rate may be changed in the meantime.

ART. 25. The amount and the rate for loans to be made upon deposits of national bonds, treasury bonds, and other securities guaranteed by the State shall be determined every week.

Such loans can be made only to solvent parties and for a period not exceeding four months.

Securities shall not be accepted as collateral for more than four-fifths of their value at the market rate.

The securities pledged shall be sold at the Bourse, if the loans are not repaid at maturity. Not more than

one renewal shall be permitted, except by special permission granted by the council of administration.

ART. 26. The Bank may be authorized by the Government to purchase public securities, including treasury bonds, but not for an amount exceeding the paid-up capital of the Bank.

No purchase shall be made except with the permission of the Minister of Finance, upon application of the management, approved by the council of censors.

Such permission shall be applicable specifically to each transaction and shall be considered void if not used within the month.

ART. 27. The Bank may issue notes to bearer.

The amount of notes in circulation must be represented by securities which can be easily converted into cash.

ART. 28. The Government, by agreement with the Bank, determines the form of the notes and the method of their issue. It fixes the quantity of notes of denominations below 50 francs, and determines, by agreement with the Bank, the quantity of notes of the denomination of 50 francs and above.

ART. 29. The text of the notes to be issued in future shall be expressed in the two official languages.

The Bank shall conform to the provisions of Article VII of the law of March 26, 1900, concerning the use of the Flemish language.

ART. 30. The notes shall be payable at sight at the offices of the Bank in Brussels and at its agencies in the country. Payment at the agencies may, however, be deferred until there has been time to receive the necessary funds.

ART. 31. These notes shall continue to be received in payments at state offices.

The authority given by virtue of Article XIV of the law of May 5, 1850, is subject to repeal.

ART. 32. Whenever a type of bank note shall be replaced or abolished, the Bank, at the expiration of a period fixed in each case by special agreement, shall pay into the treasury the value of the notes of that type which shall not have been presented for redemption.

This provision shall be applicable to notes of 20 francs of the type prior to that created in 1897.

ART. 33. The notes of which the equivalent shall have been paid into the treasury shall be deducted from the amount of the outstanding circulation, and the redemption of such notes as shall be subsequently presented at the counters of the Bank shall be made on account of the treasury.

The amount thereof shall be collected from the treasury at the end of each half year.

ART. 34. The Bank is required to have a metallic reserve equal to one-third of the amount of its notes and other liabilities payable at sight.

The reserve shall be permitted, however, to fall below one-third under circumstances and within limits which shall be sanctioned by the Minister of Finance.

ART. 35. To facilitate transfers of funds, the Bank may issue transfer orders or drafts payable at sight or at not exceeding seven days' sight, bank notes to order, or checks accepted and certified payable by the Bank.

It may cooperate in creating and managing clearing houses.

The obligations issued in pursuance of the present article shall be recorded on a separate account in the statement of condition.

ART. 36. The Bank has the privilege of issuing certificates for the amounts entered to its credit on the ledger of the public debt.

ART. 37. The Bank shall perform gratuitously the service of cashier for the State.

It shall bear all expenses of management, of material, of transportation, and of insurance and transfers of funds and securities, and shall share in the expenses of the treasury in the provinces to an amount of 230,000 francs annually. This amount shall not be increased at the revision of the convention provided by Article IX of the law of May 10, 1850, as modified by Article IV of the law of March 26, 1900.

Available treasury funds in excess of current requirements shall be invested by the Bank in commercial paper; it shall be responsible for the paper purchased or set aside for the account of the treasury.

ART. 38. The Bank attends to the operation of the general savings bank and pension fund founded under the guaranty of the State by the law of March 16, 1865.

The temporary investment of the assets of that fund, as well as the conversion of the same into cash, is made by the Bank, which, for these operations, keeps accounts and records separate from its own.

Deposits for account of this fund are received and reimbursed at all the agencies of the Bank.

ART. 39. The Bank may accept in the character of collateral, mortgage, or transfer real estate or other

chattels as security for credits which are doubtful or in suspense.

Such real estate or chattels shall be disposed of within two years, unless the Minister of Finance grants a longer term.

ART. 40. The Bank undertakes to furnish safe-deposit vaults free of charge for sealed deposits made by recognized mutual benefit societies, the cost of transportation of securities to Brussels being alone charged to the depositors. Ordinary deposits made by the same organizations shall be kept by the Bank at the usual scale of prices, the expenses of the first shipment of securities for account of a mutual benefit society being borne by the Bank.

CHAPTER IV.—*Balance sheet and distribution of profits.*

ART. 41. On June 30 and on December 31 of each year the council of administration shall draw a balance sheet.

Within the twenty days following each semiannual balance is submitted to the council of censors, who have twenty days to examine it.

The approval of the balance sheet by the council of censors, by a majority of at least five votes, is equivalent to a release of responsibility for the directors. In case of refusal to approve, the general assembly decides.

ART. 42. The expenses of management, corporate outlays of all kinds, and sinking-fund payments are all deducted from the gross profits in order to draw the balance.

There must also be deducted, if there be occasion, the allowances to be made to the State, to wit:

1. The profit resulting from the difference between interest at 3½ per cent and the rate of interest collected through operations of discount and loans.

2. One-quarter of 1 per cent each half year on the excess of the average circulation of notes above 275,000,000 francs.

ART. 43. The net profit shown in the balance sheet is apportioned as follows:

1. To the shareholders, a first dividend of 2 per cent.

2. To the public treasury, one-quarter of the excess.

3. To the reserve fund, 10 per cent of the same excess.

4. To the council of administration, 4 per cent, and to the censors 1 per cent of the same excess.

5. To the shareholders, the remainder as a second dividend.

However, there shall be levied on this second dividend a sum not exceeding 25 centimes per share in each half year, which shall be applied by the council of administration to charitable purposes.

ART. 44. The profit accrued to the shareholders for the first half year is distributed in one payment on the 1st of September of the current year, and the profit for the second half year on the 1st of March of the ensuing year.

ART. 45. Should the half-yearly profit to be distributed to the shareholders be less than 2 per cent, the amount shall be made up by drawing on the reserve fund.

This deduction shall be restored to the reserve in the ensuing half year if it can be done without reducing the profits to be distributed to an amount less than 2 per cent.

ART. 46. The balance sheet and profit and loss account of the half year shall be published at the end of each period in the Moniteur Belge.

The balance sheets and the profit and loss accounts for both half years, as well as the reports of the administra-

tion and of the censors on the operations for the year, are printed and forwarded to the shareholders at least five days before the ordinary meeting of the general assembly in the month of February.

ART. 47. The management forwards every week to the Minister of Finance a statement showing the condition of the institution and of its agencies on the preceding Thursday.

These statements are published in the Moniteur.

CHAPTER V.—*Management.*

SECTION 1.—*Fundamental provisions.*

ART. 48. The management of the Bank is in the hands of a governor and six directors, forming together the council of administration.

The Bank is supervised by a board of censors composed of seven members.

There shall also be a board of discount.

ART. 49. The governor is appointed, and may be dismissed or suspended by the King.

The appointment is made for five years; it may be renewed without limit for the same term.

Suspension can not exceed three months.

ART. 50. The governor is required to reside in Brussels. His salary is fixed by the King and paid by the Bank, which, moreover, makes provision for a residence and the furnishing of the same.

ART. 51. The governor shall not, during the continuance of his functions, be a member of either branch of the Legislature, or receive a pension paid by the State.

A member of either House, when appointed governor, ceases at once, in case of his acceptance, to be a member of the Legislature.

When a governor is elected a member of either Chamber, he is not permitted to take the oath as such until he has declared that he chooses the latter office.

ART. 52. Directors are elected by the general assembly for six years. They are always reeligible.

They must be Belgians, native or naturalized.

They are bound to reside within the Brussels district. Their salary is fixed at 6,000 francs.

ART. 53. One of the directors retires from office on January 1 in each year.

A director elected to take the place of a director who is deceased or has resigned completes the term of the one he replaces.

ART. 54. The King appoints the director who is called upon to fill the place of the governor in case of absence, disability, or suspension.

This director takes the title of vice-governor and receives an annual allowance of 3,000 francs.

ART. 55. The governor, or the director who fills his place, may give power of attorney for current business to one or more of the directors.

The conditions of such delegation of authority are determined by the regulations for internal government.

ART. 56. The governor and the directors can not be on the board of any other bank.

ART. 57. The board of censors elects from its own number its president and secretary.

ART. 58. Censors are elected by the general assembly for a term of three years and may be reelected.

Their functions cease after the general assembly in February.

They retire from office by series, one of three members, the other two of two members.

The second paragraph of article 53 applies to the censors.

ART. 59. Before entering office the governor must qualify as owner of 50 registered shares, each of the directors as owner of 25 shares, and each censor as owner of 10 shares.

These shares, pledged as a guaranty for their administration, can not be transferred, and can only be released to their owners after approval of the balance sheets for the year in which their administration ceases.

The fact that these shares are applied as surety bonds is mentioned on the records and on the certificates.

ART. 60. The governor, the directors, and the censors do not incur any personal liability by reason of the Bank's engagements; they are responsible only for the performance of their duties.

ART. 61. If the share in the half-yearly profits, allowed in pursuance of article 43, exceeds 80,000 francs for the directors and 17,500 francs for the censors, the general assembly shall have the power to decide that such share be reduced to said figures.

ART. 62. The secretary and the treasurer are appointed by the general council, which shall have power to dismiss them.

The regulations for internal government determine the duties pertaining to their offices.

SECTION 2.—*The governor.*

ART. 63. The governor presides over the council of administration, the general council, and the general assembly.

He attends to the execution of their decisions.

He presents to the general assembly the statements prepared by the council of administration.

He watches over the observance of the fundamental laws of the Bank, the statutes, and the regulations.

He releases recorded mortgages, after being authorized thereto by the board of directors, without having to justify the payment.

Actions at law are brought by him in the name of the management.

In conformity with the decisions of the directors, he signs agreements, transactions, and documents of all kinds.

Documents binding the Bank, other than routine papers, should be countersigned by the secretary.

ART. 64. The governor may suspend the carrying out of decisions of the council of administration, in order to submit them to the general council, which for this purpose shall be summoned immediately.

He suspends and reports to the Government every decision which would be contrary to the law, to the statutes, or to the interests of the State.

If the Government does not take action within fifteen days from the time of such report, the decision may then be carried out.

SECTION 3.—*The council of administration.*

ART. 65.—The council of administration passes upon all transactions, excepting those regulated by the laws, the statutes, and the regulations for internal management.

It determines the rate and conditions of discount and the amount to be applied to the discount of treasury bonds, to loans on state bonds, and to purchases thereof, all subject to the approval of the council of censors.

It appoints and dismisses employees, determines their salaries, and, if necessary, the amount of their surety bond.

It designates those who may receipt for payments or deposits or settle bills receivable.

It may give power of attorney for acts or documents to be signed outside of Brussels.

It proposes names for the appointment of agents of the cashier for the State, and determines their salaries and the amount of their surety bond.

It has the right to compromise and arbitrate, after consultation with the council of censors.

It makes reports to the general assembly on the transactions of the Bank.

ART. 66. The board can not deliberate unless a majority of its members is present.

Resolutions are passed by a majority of votes. In case of even division, the vote of the president prevails.

ART. 67. Minutes are kept of the deliberations. Mention is made therein of the nature of transactions, of their object, and summarily of the reasons for the decisions reached.

The minutes are signed by all the members present and by the secretary.

SECTION 4.—*The council of censors.*

ART. 68. The censors have the right to supervise all operations and to have all records exhibited to them.

They examine and, if there is occasion, approve the balance sheets and vote on the amount of expenditures on the proposals made by the council of administration.

The following matters are submitted to the board of censors:

Decisions of the council of administration changing the rate and conditions of discount; the amount of treasury bonds to be admitted for discount; and the terms for loans on state bonds and other securities guaranteed by the State, as well as decisions determining exchange charges and the investments to be made in public funds.

Nevertheless, in case of necessity, the council of administration may change the rate of discount, its decisions to be submitted within five days to the censors for their approval.

ART. 69. The council of censors meets at least once a month.

It can not deliberate unless at least four of its members are present.

Resolutions are carried by a majority of votes. If evenly divided, the matter in question is referred to the general council for decision.

If a quorum of the censors is not present, the general council may take action in case of emergency.

ART. 70. One-half of the share in the profits assigned to the censors, in pursuance of paragraph 4 of article 43, is distributed in fees for attendance.

SECTION 5.—*The general council.*

ART. 71. The governor, the directors, and the censors form the general council.

ART. 72. The general council meets at least once a month for the purpose of considering the condition of the Bank.

It passes upon all matters submitted to it in accordance with either the statutes or the regulations for internal management.

It determines definitively concerning the distribution of profits.

It determines the conditions on which deposits are received; but these conditions are submitted to the Minister of Finance for approval.

On proposals made by the council of administration, it decides upon the regulations for internal management, as well as upon the general regulations concerning the organization of branches, discount offices, and agencies. All these regulations are submitted to the Minister of Finance for approval.

It considers proposals for opening branches, discount offices, and agencies in the country, on their form of organization, and on all matters relating to the issue of bank notes.

It fixes salaries and, if necessary, the amount of surety bonds of the secretary and of the treasurer.

ART. 73. Except in the case provided for in the last paragraph of article 69, no deliberation can take place in the general council unless a majority of the members of the council of administration and of the council of censors are present.

Decisions are carried by a majority of the votes cast.

In case of even division, the president has the deciding vote.

SECTION 6.—*Discount committee.*

ART. 74. The discount committee at the head office of the Bank is composed of two sections of at least three members each, appointed by the general council, which determines upon their fees for attendance.

They may be chosen among the censors.

One-half the committee is renewed every year, but the members whose terms have expired are reeligible.

ART. 75. The days and hours of meeting of each section are fixed by a special regulation.

Each section is presided over by a director. It examines the paper submitted and presents to the directors the bills which fulfill the required conditions.

CHAPTER VI.—*Government commissioner.*

ART. 76. The commissioner of the Government watches over the operations of the Bank and especially discounts, the issue of notes, and the investment of the available funds of the treasury.

His salary, fixed by the King, by agreement with the directors of the Bank, is paid by the latter.

ART. 77. The commissioner of the Government has the right at all times to examine into the condition of affairs, and to verify the books and the cash.

The directors are bound to furnish him, whenever required by him, a report on the Bank's condition, certified to be correct.

ART. 78. The commissioner, whenever he deems it proper, may be present at the meetings of the general assembly, of the councils, and of the committees.

He has the right of discussion, without the right of voting.

CHAPTER VII.—*General assemblies.*

ART. 79. The general assembly represents the aggregate of the shareholders.

Its decisions, when regularly reached, are obligatory even upon the absent or dissenting members.

ART. 80. The general assembly is composed of shareholders, owners of ten registered shares, which have stood in their name for at least twenty days, or of ten shares to bearer deposited either in the head office or in the agencies designated by the board of directors.

A shareholder can not appoint anyone to represent him, except a party who is himself entitled to vote.

Societies, companies, and corporations may, however, be represented by a member chosen for that purpose; and minors or persons under guardianship are legally represented by their guardians or trustees.

Powers of attorney and other documents proving the right to be present at the general assembly, in accordance with the two preceding paragraphs, must be remitted to the Bank at least three days before the meeting. They must be signed by the parties presenting them.

ART. 81. Before the meeting opens, the shareholders sign their names to the presence list.

ART. 82. Ten shares give the right to one vote.

No one can have more than five votes as shareholder and five votes as attorney for others, whatever may be the number of his principals.

ART. 83. The ordinary meetings of the general assembly take place on the last Monday of February and the last Monday in August.

It passes, if necessary, upon the balance sheet of the preceding half year, in the case provided for by article 41 of the present statutes.

At the February meeting the administration reports on the operations for the year ending December 31 preceding.

At the August meeting it elects the director and the censors to take the place of those whose terms expire at the end of the year.

At either of these meetings it may fill vacancies caused by death, resignation, or otherwise.

ART. 84. The general assembly may be convoked for an extraordinary meeting whenever the council of administration considers it expedient.

It must be called—

1. When the meeting is required either by the board of censors, or by not less than 20 shareholders having the right to vote.

2. When the number of directors or the number of censors is reduced to four.

ART. 85. The meetings, either ordinary or extraordinary, are called at least fifteen days in advance, by registered letters sent to the registered shareholders having the right to vote and, further, by publication in the Moniteur and in two of the principal daily papers of Brussels, one month before the day of the meeting.

If the general council decides that there is urgency, this latter delay may be reduced to fifteen days.

In any case these notices must mention the time when shares to bearer can be deposited.

ART. 86. All notices of meetings must state the subjects on which the assembly shall or may be called to deliberate.

ART. 87. The two largest shareholders present, who are not members of the administration and are willing to act, shall be tellers of election.

They sign the minutes with the president and the members of the council of administration.

ART. 88. The general assembly deliberates—

1. On the matters mentioned in the notices, and which are placed before them either by the council of administration or the council of censors.

2. On propositions, signed by five members, which shall have been transmitted to the council of administration at least ten days before the meeting, to be placed on the order of the day.

If the assembly recognizes the importance of other propositions made by the council of administration, they may be taken under consideration.

ART. 89. Each resolution must be decided by a majority vote. In case of even division, the proposition is rejected.

ART. 90. Elections or revocations are made by secret ballot. On all other propositions and subjects the voting is done by yeas and nays.

ART. 91. If, on a first ballot, the candidates have not all obtained an absolute majority, a list is made of those who have obtained the most votes.

Such list shall contain twice as many names as there remain members to be elected.

Votes can then be given only to one of these candidates.

In all cases where there is a tie the older man is elected.

ART. 92. The dismissal of directors or censors can be effected only by three-quarters of the votes of shareholders present, owning at least one-half of the stock.

CHAPTER VIII.—*General and temporary provisions.*

ART. 93. No change in the statutes can be made except in a general assembly specially convened for that purpose.

The object of the proposed modifications must be stated in the letters and notices of meeting.

The assembly can not legally act if the number of shares represented is not at least 20,000.

The owners of less than 10 shares may, in such cases, combine them, in order to be represented by shareholders having the right to vote.

Resolutions, in order to be carried, must be supported by at least two-thirds of the votes.

They shall not be operative unless approved by the Government.

ART. 94. Independently of the rights granted to the Government in the present statutes, it may resist any measure which it considers either contrary to the laws, to the statutes, or to the interests of the State.

ART. 95. The present governor, the directors, and the censors continue to hold their offices.

These statutes in no way interfere with the limit of the governor's tenure of office, nor with existing arrangements for the tenure of directors and censors.

ART. 96. The balance sheet, as well as the profit and loss account for the first half year 1900, shall be prepared in accordance with the present statutes.

These statutes, as regards other provisions, shall take effect June 1, 1900.

ADDITIONAL ARTICLE.

The difference for the year 1899 between the sum due the State, according to the law of March 26, 1900, and that to which it was entitled, according to previous agreements, shall be paid out of the reserve fund.

The sum thus withdrawn from the reserve shall be restored to it by means of levies on subsequent years.

The general council shall determine the time and the amount of each restitutions.

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